Signposts to Rural Change

PROCEEDINGS
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Rural Economy Research Centre

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Implementation of National Spatial Strategy (NSS)

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Introduction

Rather than dealing with the mechanics of implementing the National Spatial Strategy this paper takes a look at the practical implications it might have for rural areas in particular.

The NSS will emphasise the special and distinctive attributes of rural society and will aim at supporting the vitality of rural areas. It will also seek to promote new development and employment opportunities in the BMW region and the structurally weaker areas of the S&E region. Rural Ireland has little to fear and much to gain from the National Spatial Strategy.

The Strategy will recognise that the agricultural sector continues to be one to the most important components of the economy. However, with advancing technology and farm consolidation continuing to increase, and with agriculturally based direct employment falling, the Strategy must look to ways in which it can support the agricultural sector and at the same time assist in finding alternative sources of employment in or close to rural areas to sustain rural communities.

Spatial Trends in Rural Areas

Before deciding on the best contribution the Strategy could make to these aims, it was important to understand the pronounced differences in the changes which have been happening in different areas. These changes depend on (1) the role and future structure of agriculture, (2) the degree to which the rural economy is diversifying, (3) nearness to or remoteness from major urban areas and (4) endowments of natural resources such as high amenity landscapes.

Another issue that needs to be borne in mind is the fact that the proportion of the population of areas outside the 5 main cities, has fallen to about 40 % (1.5 million people) in 2000. This continuing decline has been most marked in areas with predominantly smaller towns spaced further apart than areas with a more developed urban structure.

Critical Factors for Successful Regional Development

The assembly of the factors critical to the promotion of successful and competitive regions, at key strategic locations i.e. Gateways and development hubs, that are capable of developing in the future and that are also capable of being linked to a wider network of urban and rural areas will be essential to shift the country towards more balanced patterns of regional development. The dynamics driving the location of different activities indicate that larger urban centres, individually and combined must become central elements of any strategy that aims to extend the number of

successful areas and bring about more spatially balanced patterns of population, employment and economic output.

How Rural Areas Fit into the Picture

Rural areas will be part of this approach. This will be achieved by looking to the way in which the potential of rural areas can contribute to and benefit from balanced regional development. This can be done by utilising and developing economic resources, while capitalising on the advantages of having strong neighbouring urban centres. This way of looking to the potential of rural areas is one that sees urban and rural areas in partnership.

Smaller towns and villages in rural areas have potential of which advantage can be taken. This is compatible with promoting critical mass, at strong centres, if the stronger centres are linked to the smaller centres and rural areas through good communications – telecommunications, energy and public/private transport. Playing to the strengths of the smaller towns and villages will depend on their capacity to accommodate certain employment, residential and other functions on the basis that their comparative advantage in terms of lower costs and a quality of life, which might attract many people.

There are also, of course, other rural areas that are particularly remote or with structural disadvantage that require particular targeted measures. Targeted measures for these areas, specific to local circumstances, are compatible with the overall thrust of the NSS.

The Crucial Role of Medium-sized Market Towns

In the western half of the country, there are a number of strategically placed county towns that act as capitals for their own extensive hinterlands and also represent important points on transport networks and offer a wide range of services to the local population. These places are located within an environment of renowned natural and cultural heritage which is increasingly supporting the economic vitality of these areas. The revitalisation of these areas will need to be sustained by matching development possibilities with maintaining the quality of the natural and cultural heritage.

The Midlands too contains a number of good sized, neighbouring towns, which individually do not have the critical mass to compete with cities, but combined and capitalising the central location of the Midlands, these towns can be reinforced against the trend of being assimilated into the stronger urban areas to the East and to the West.

What Needs to Happen in Rural Areas

The large urban centres on the east coast and the strengthening centres of population in the south and west of the country, present somewhat of a threat, but also a strategic opportunity for much of the Midlands. Competition between towns in this area, together with their small size compared with the cities, has tended to fragment the critical mass and attractive power of the region. As a result the region has been bypassed to a considerable extent in investment terms. As the cities to the east and to the west continue to grow, there is now an increasing recognition that the critical mass of the Midlands and its pull factors will need to be reinforced to protect the Midlands against these trends, to support local entrepreneurship and to draw investment into the region.

The pull factors are distributed in a number of strategically placed medium-sized to large urban centres and are supported by the crossroads location of the Midlands in Ireland. Many of these pull factors have the potential to be utilised in a collective and complementary way. East - West connections are being substantially upgraded under the NDP. Building upon this, the strategic aim within the NSS will be to exploit the central location of the Midlands, by improving accessibility to its wide range of attractions to the point where it can be seen as a dynamic region possessing many of the advantages of a city provided through a highly integrated network of towns.

The research carried out for the NSS into rural and urban trends and economic performance identified certain areas - primarily along the west coast in parts of Cork, Kerry, the Midwest and Galway - that have been experiencing economic growth and revitalisation based on the diversification of a traditionally agriculturally based economy. This is linked to the recognition and development of economic potential based on tourism, marine and natural resources and certain types of enterprise development, derived ultimately from outstanding natural settings and a quality of life that attracts people with a variety of skills. Certain medium sized towns play a crucial role in this.

This is a process that can be built not only in those areas already diversifying, but also extended to other areas in the western half of the country. The critical factor will be to underpin the sustainable development of strategically placed medium-sized towns as economic hubs which mutually re-inforce dynamic rural economies. These economies will be based on the sustainable use of natural resources such as the landscape for tourism; the sea for fisheries and aquaculture and renewable energy; land for agriculture, forestry and renewable energy, water for tourism and a certain level of investment in enterprise.

Policy Areas

(1) Strengthening the Rural Economy

Traditional rural based sectors of employment in agriculture, forestry and fishing, will continue to have key roles in as the primary base of strong and diversified rural economies which will help to retain rural population. Efficient agricultural, marine and natural resource sectors, together with the contribution of significant and developing sectors such as tourism, certain types of employment based in rural towns and other

sources of off-farm employment, will be the mainstays of a strong rural economy. However the mix and concentration in any one of these sectors will vary according to the potential of different places. The particular issues for different places include :

- Securing agriculture especially where it is a strong and viable.
- Diversification of rural employment options and stabilising population through
  - Resource based development in sectors such as forestry, fishing, marine and natural resources.
  - Tourism development through quality and market responsive products, enhanced access and co-ordinated promotion of tourism, which offers a range of complementary visitor experiences.
  - Strengthening towns and villages so that they attain a threshold in terms of labour supply, skills and infrastructure capable of sustaining employment in local business investments.

(2) Strengthening Communities

The strength and integrity of many rural communities are under stress as a result of declining population. In other areas rural populations are increasing in the open countryside while population and community life in villages and small towns declines as long distance commuting grows in areas within range of the main cities and towns. These trends may not be in the best interests of either urban or rural communities Alternatives to underpin the future vitality of rural communities are essential.

If we accept that we would like to have roughly the same proportion of people living in rural areas in 20 years as is the case now, a “peopled countryside” will be necessary to support rural communities and the services they require. Starting from the principle of a “peopled countryside” the question must go beyond that to seek ways in which rural communities can be secured and strengthened. Three main types of responses are called for:

- *Settlement Policies* that take into account varying rural development contexts i.e. ranging from areas with declining populations to areas in which there are overspill issues associated with their proximity to urban centres. Such policies can strengthen rural communities by creating conditions for enhancing rural populations.
- *Enhanced accessibility* as part of integrated settlement policies can breathe new life into rural communities. Where the development of settlements is actively encouraged and achieved, it becomes more feasible to positively respond to issues such as rural public transport and service provision.
- Rural areas with particular *cultural identities*, associated with language as in the case of the Gaeltacht, or the islands and other areas of significant cultural heritage, can act as magnets for people and certain types of investment. These identities can make a significant contribution therefore to underpinning the rural economy, stabilising populations and strengthening communities. Conservation of identity needs to be considered in ways that match development for the area with the protection of the resource.

(3) Strengthening Environmental Qualities

Rural areas contain some of the most important national resources in terms of the natural environment. The sensitive development and conservation of these resources

is essential to the underpinning of both strengthened rural economies and the national economy. The resources include:

- *Agricultural land* for high quality food production.
- *Water resources* of high quality, on land, in groundwater and off shore.
- *Forestry* which yields timber and timber products, not only economically valuable in themselves but which make a contribution to tackling global warming.
- *A green landscape,* world renowned, the attractiveness and integrity of which are central to Ireland's tourism industry.

Housing in Rural Areas

Housing patterns in rural areas and rural settlements have evolved over time through the interaction of economic, social and environmental forces. Settlement patterns vary from place to place and include various elements in different combinations e.g. towns, villages, certain clustered types of development, individual farm and dispersed settlement. In recent years, increasing affluence, car ownership and personal mobility have extended the range of choice for locating housing, including rural locations which may be some considerable distance from where people work. A continuing free for all in this area could over time erode many of the essential economic, social and environmental assets of rural Ireland. Settlement strategies can balance the conservation of these assets, the development of a strong urban structure and the continuing vitality of rural areas. It will be vital however for such strategies to be grounded in the strong associations between people and place in Irish culture, which in turn reflect family, cultural and historic ties.

Bearing in mind these considerations, it is possible to distinguish between housing needed in rural areas by persons from or working in rural areas (rurally generated housing), from housing desired by persons living and working in urban areas (urban generated housing). Rural generated housing needs arise for persons from rural areas or working in rural areas in sectors such as agriculture, forestry, tourism, fisheries, natural resource development or who have strong social ties to a rural area. As a general principle, subject to good planning practice in matters of siting and design, rural generated housing needs should be accommodated throughout rural areas. Urban generated housing needs to be considered more carefully, in a way which takes account of the different circumstances in different areas.

Consideration of housing needs in terms of their origin, in combination with policies tailored to meet local circumstances, is the starting point. However, differing spatial circumstances require different responses reflecting the different types of areas i.e.

- Rural Areas under Strong Urban Influences
- Declining Rural Settlements
- Areas of Structural Weakness
- Distinctive Settlement Patterns

Quality of Life in Rural Areas

In more rural parts, it is not possible to expect that every type of service available in a larger centre would be available locally. However for many people, a high quality and natural environment, with the strong sense of community that exists in many parts of

small town/rural Ireland, is preferred, over the immediate availability of the facilities provided in larger centres.

How best to protect and enhance these aspects of rural life, while at the same improving access to social and cultural facilities will be an important aspect of the NSS.

Acknowledging the structural changes underway, the challenge is to find a way of revitalising rural areas by supporting the future establishment of viable networks of rural services, from post-offices, to banks, childcare facilities, shops and rural public transport.

For such viable networks to flourish and attract people to sustain a rural way of life, rural settlements will play a key role. A village with a declining population of say 50 persons will find it difficult to sustain local services, population and even small scale development possibilities. However, policies designed to sensitively consolidate that village with, for example, a small housing development and local enterprise units would assist in sustaining it and its store of social and other services into the future.

It is for this reason, that the most successful way of securing strong rural communities and service provision into the future will be through consolidating rural settlement, in all its forms, from villages and small towns to clusters of development. There are also two additional dimensions to rural quality of life:

(1) In rural areas closer to the larger urban centres, or close to the main road and public transport networks such as railways, strengthened rural settlement provides a basis for developing rural public transport options. These would have the added benefit of enhancing access to local urban centres which provide healthcare and education facilities, retailing etc.

(2) In remoter rural areas, where access can be particularly difficult, there are special access issues that require consideration and which are beyond the scope of the spatial or locational principles which can be laid out in a strategy such as the NSS. For example, outreach facilities in the healthcare area or tailored physical access options for emergency needs are more properly dealt with in the context of the development of sectoral policy for the particular area concerned.

The Rural Environment

To enhance the quality of the rural environment for the future the primary issues include the need:-

- To encourage residential development in small towns and villages, supporting the economic provision of infrastructure and leading to the subsequent reduction of water pollution
- To utilise land on the better mineral soils which may cease to be used for agriculture by developing them, where appropriate, for forestry. This would increase economic opportunities based on timber production, improve biodiversity and enhance the attractiveness of the countryside for tourism and recreation. In some areas the production of trees for biomass would be a relevant option.
- In areas of poor soils, including cutaway bog and in locations that are not of significant scenic importance, favourable opportunities for the extensive development of windpower exist. The potential for this is particularly enhanced in areas that are close to main electricity transmission lines.
- In areas where there is intensive agriculture either on poorly drained land or on better land there is a potential arising from the alternative use of agricultural wastes for electricity generation which would provide renewable energy and protect water quality by reducing the amount of slurry spreading,
- Promoting the use of biomass and forestry by-products as renewable fuel sources
- Water is a strong environmental component of the potential of these areas. The river Shannon and its lakes, for example act very much as an inland coastline in terms of landscape and recreational uses. There are other river systems, lakes and the canals that, with the Shannon system, provide a network of inland travel. The recreational and tourism potential of this water in all its aspects can help in the development of the reinforcement role for this area

Another prime consideration is the recognition that the resource potential of more remote areas lies in the sheer quality of environment; and that in its economic development this quality can help to compensate for the disadvantages of remoteness. If environmental quality deteriorates then the potential of for developing these aspects is eroded.

The economic realisation of this resource potential will rest on

- A discriminating tourist product where visitors are attracted by qualities of landscape, cultural heritage and a range of outdoor recreational opportunities.
- Attracting enterprises and people with a range of expertise and skills for whom living in such a quality environment is foremost among the qualities of life which they seek. This process of economic diversification is already underway in some places and can be intensified and extended.

Implementation of White Paper on Rural Development

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Not available at time of printing.

Projecting Population and Labour Force in Rural Areas

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Abstract

This paper describes work in progress in the development of a model for evaluating policy for and in rural areas. Interest in the impact of policy in rural areas is growing both at EU and national level. The first stage in designing a model to analyse policy impacts is to build a demographic model with data for areas as small as District Electoral Divisions. The stages in building this model are described and some initial projections shown. The possible uses of the model when fully developed are discussed.

Background

At the Rural Economy Research Centre of Teagasc we have built an econometric model which allows us to project the impact on the agricultural sector of specific changes in policies, particularly in estimating the impact of changes in the Common Agricultural Policy and changes in trade policy (for latest projections consult our Outlook 2001 report (FAPRI-Ireland Partnership, 2001).

Having established a credibility in the Centre in projecting the impact of changes in agricultural policy, we were eager to embark on similar analyses in relation to changes in rural development policy.

Objective

We have now initiated this exercise. We are endeavouring to build, over time, a model of the rural economy, with the idea that we could

- Project the impact on population levels, employment levels, local incomes and commuting patterns of defined changes in policy
- Analyse ex post the impact of past or current changes in policy, and
- do this at a small area (sub county) level.

Rural Policy Analysis

There is considerable interest in Ireland and the European Union in rural policy. The EU Commission has, over recent years, placed particular emphasis on rural development with special reference to: enhancing the competitiveness of rural areas, maintaining and creating employment, reducing socio- economic disparities between regions, adapting to new market place realities, providing appropriate training, and converting and re -orientating agricultural production potential (CEC, 1988 : Ray, 1998).

This concern for rural development was encapsulated in The Cork Declaration (European Conference on Rural Development, 1996) which announced a 10 point rural development Programme for the European Union. It asserted that sustainable rural development must be put at the top of the agenda of the European Union and defined its aims as reversing rural out-migration, combating poverty, stimulating employment and equality of opportunity, and responding to growing requests for more quality, health, safety, personal development and leisure, and improved rural well-being. It also asserted that a rural development policy must be multi - disciplinary in concept, and multi-sectoral in application, with a clear territorial dimension.

In practice rural development policies are implemented at national and regional level. In Ireland the White Paper on Rural Development (Department of Agriculture and Food, 1999) commits the Government to the "rural proofing" of all national policies so as to ensure that policy makers are aware of the likely impact of policy proposals on the economic, social, cultural and environmental well-being of rural communities. Among the policies promised in the White Paper is the preparation of a national spatial development strategy to facilitate the balanced sustainable development of the country as a whole. In parallel with these developments there has been in a change in entitlement to EU structural funding since January 2001. A significant part of the country is no longer entitled to priority funding as an Objective One region. Different levels of support therefore apply to capital projects in different regions.

With increasing recognition that rural development is not synonymous with agricultural development, and with an increasing range and diversity of policy measures, there is a need to develop tools of analysis, which will enable

- the impact of rural development policy to be assessed ex post and
- the potential impact of new policies to be assessed before implementation.

Steps in the Process

Most regional or rural development models were built to describe the macro economy of regions (e.g UCC built one of the Cork-Kerry region, -Garhart et al, 1997) and use input-output methodology. This allows the effects of a policy change or a new industry to be estimated at the level of the region but there are no estimates of spatial interactions within the region. And like our sectoral economic models of agriculture, they operate at an aggregate level only: the impact of changed policy on individual business types or families cannot be estimated.

We in Rural Economy Research Centre, believed that this methodology would not answer the policy questions which would be asked. We set out to find a different approach. Researchers at the University of Leeds had built a socio- economic model of Leeds and its environs and had used it to quantify the effects at ward level of the closure of a large factory in the city. (Ballas and Clarke, 1999[1]). We felt that this approach was promising.

Accordingly a programme of collaboration between Rural Economy Research Centre and the University of Leeds was initiated with a view to developing a model which

[1] An extended version of this paper may be found in Ballas and Clarke (2001)

would be capable of analysing the different spatial and distributional impacts of changing rural development policies.

The procedures involve three major steps

- construction of a synthetic population from all the data sources available including in particular the Census
- assessing the impact of policy changes on this population
- dynamic modelling of population to update it by taking into account births and deaths

The initial steps in the process are concerned with estimating population and labour force developments. It is intended to add other elements to the model over time, including estimation of incomes at a small area level and identifying commuting patterns.

In rural or regional development the significant questions, (whether asked by community representatives, local councils, regional or national policymakers), which need answers, are at small area level. To paraphrase the famous aphorism "All Policy is local". The focus of our model building therefore is on being able to answer questions on the impact of policy at local (sub county) level.

When we think of "rural development", we think firstly about people. Within limits, a rural developmental policy is about stabilising or increasing the number of people who live and work in rural areas and ensuring their economic and social well being. The strategy for rural development published by the Government (Department of Agriculture and Food, 1999) defines a goal of "a rural Ireland in which

- there will be vibrant sustainable communities with the range of age, income and occupational groups such as to allow them to adapt to ongoing economic, social, cultural and environmental change ....
- there will be sufficient income and employment opportunities to allow individuals and families to live with dignity ...
- rural communities will enjoy access to education, training ...and ...an adequate level of services and infrastructure".

The White Paper defines the rural development policy agenda as "all Government policies ...which are directed towards improving the ...conditions of people living.... outside of the five major urban areas". The emphasis here too is on communities and people, not areas.

It is appropriate therefore that the units in the spatial microsimulation model are people, individuals and in families. We felt that the first task in model building should be to build from population census and other data, a model of the rural population and labour force. (We have defined rural in similar terms to the White Paper: We exclude the five county boroughs, the two counties of South Dublin and Dun Laoghaire Rathdown, and certain clearly urbanised areas in Fingal and Cork South).

We began this work, in collaboration with colleagues at University of Leeds in September 2000. It is a long term project and we do not expect to be able to do policy or scenario analysis for another two years. We are however endeavouring in building our model to anticipate the results of the 2002 census, by projecting

population for this year. This will be a severe test of the model, because of the dramatic changes that have occurred in the Irish economy in recent years, leading to an ending of the traditional emigration pattern and its replacement by substantial inward migration.

In order to make population projections we require

- data on population by age and sex on a past date (we used the Census data for 1991 initially and subsequently those of 1996)
- data on birth rates and projections of future birth rates (past data are available on a county basis, classified by age of mother)
- data on death rates and projections of future death rates (past data are available on a county basis, classified by age at death)
- estimates of migration patterns (almost no data available: past censuses give some data on migration between and within counties and on inward migration but there is no past data on emigration, except by inference)

To date we have, using the 1991 census data and all the other information available, endeavoured to project the population in each rural DED (there are over 2,900 of these) in 1996. We have then compared the 1996 county projections with the actual county figures for 1996 to assess the accuracy of our model. We then revise the model and using the actual 1996 population data have made projections for 2002. In appendix 1 we show by county our projections for 1996, the actual figures for 1996 and our projections *at this stage of the development of our model*, for 2002. We think the model is underestimating population in western Counties but do not yet know why. Work in Progress!

We emphasise that this model is in the very early stages of development and will therefore have a considerable margin of error. Among the refinements we plan to introduce to obtain better estimates in the immediate future are (a) adjusting death rates to take account of differences in death rates by social class (b) adjusting migration rates to take account of age (c) taking account of planning permissions or housing start statistics to improve estimation of destination of migration.

Longer Term Aims

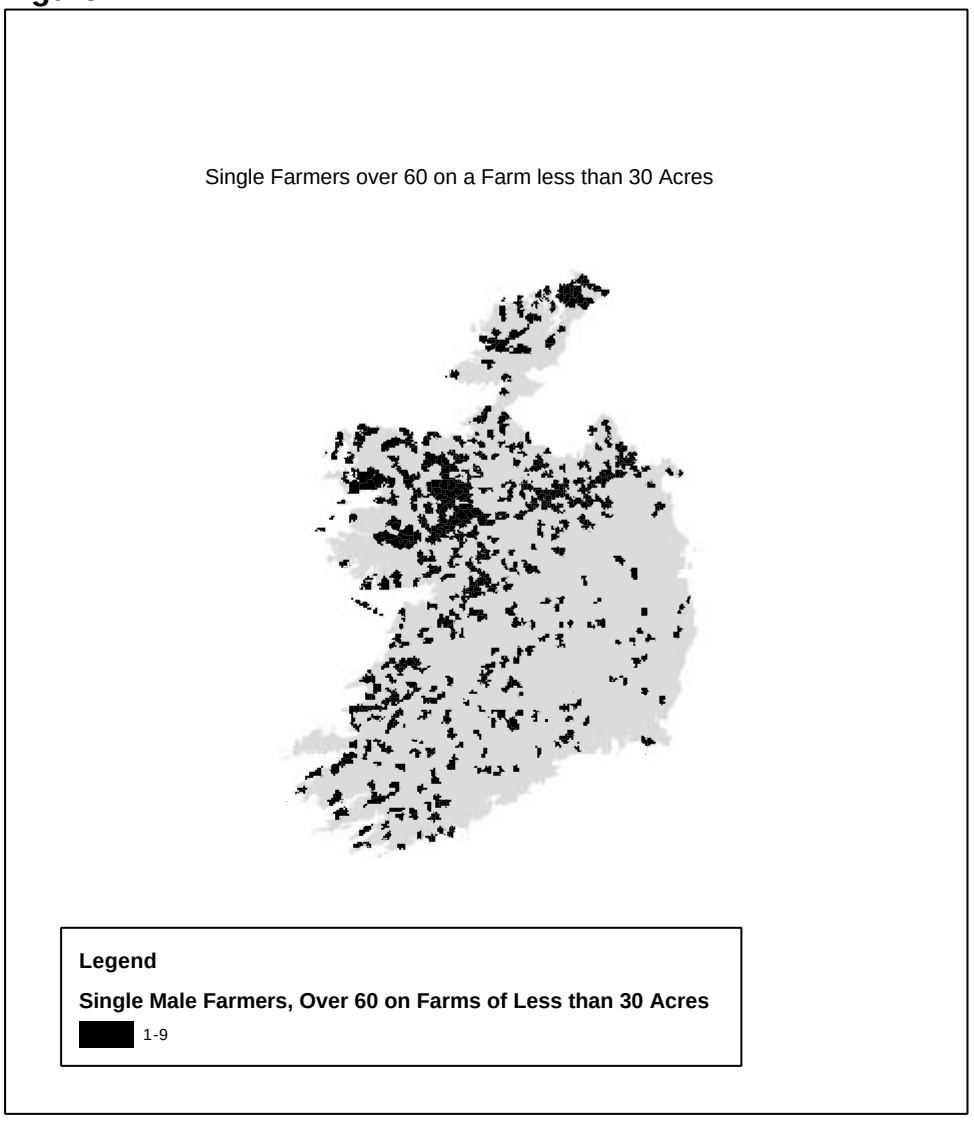
In the longer term we envisage that this model will embrace substantially more than population and labour force. We plan to include a travel to work component in the model, which would greatly assist in mapping the relationship between urban areas and the surrounding rural areas. Ideally for similar reasons, we should also incorporate a shopping element, though at this stage the data for doing so are not on the horizon.

Potential Uses of the Model

Spatial microsimulation models have particular strengths in the area of policy analysis. The advantages of spatial microsimulation models are their ability to provide geographical distributions of specific types of households and individuals not available from published tables, their use in combining data from various sources, and their high degree of flexibility. Spatial microsimulation models provide the potential to assess the impact of national and regional initiatives at the local level.

Two groups of individuals, single farmers over the age of 60 and married women working in the home, have been selected as examples to demonstrate the use of spatial microsimulation models in rural policy analysis.

Figure 1

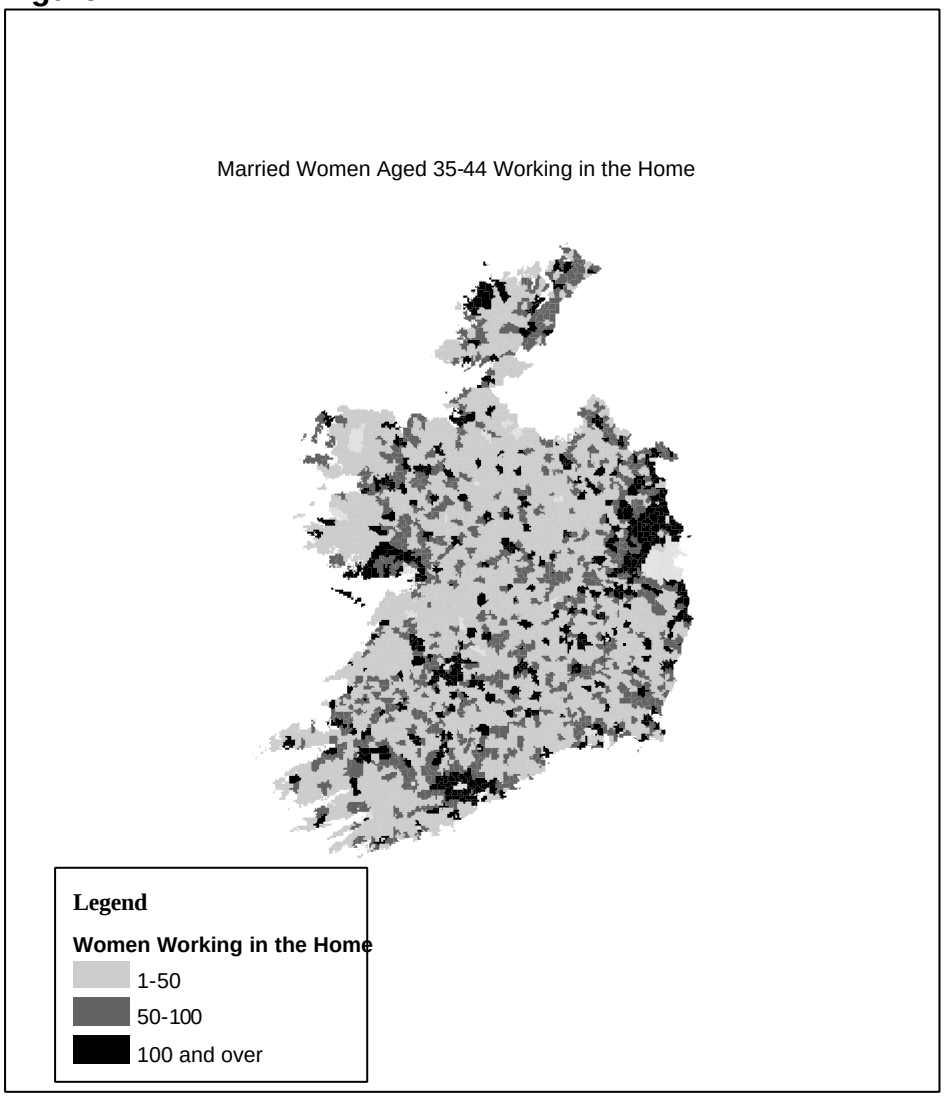


The number of farmers in Ireland has been falling over time. This decline is concentrated among smaller farms. The spatial distribution of smaller farms can be identified using our microsimulation model. We have identified farms under 30 acres

operated by single farmers over the age of 60. These farms are unlikely to be inherited by younger farmers. Areas in which there is a high concentration of older farmers will experience change in the coming years if younger farmers do not replace the retiring farmers. Figure 1 shows the spatial distribution of single farmers over 60.

The farms are primarily located in the north-west. Areas in the south of the country have a low concentration of older single farmers on farms less than 30 acres . These results are not unexpected. However, they demonstrate the type of analysis possible even at this early stage in the development of the model.

Figure 2



The model can also be used to analyse groups unrelated to farming. The second group chosen to show the current capabilities of the model are married women between the ages of 34 and 45 who work in the home. These women may be of interest to groups requiring additional labour. For example, if an industry were considering where to locate, it may look at this group of women as potential employees. As with the farmers, the spatial distribution of this group of women is not available from published tables. Figure 2 shows the spatial distribution of this group of women.

As the map shows, these women are concentrated around the cities of Dublin, Limerick, Cork, and Galway. However, there is also a significant concentration in Donegal. These results are preliminary and primarily for illustrative purposes. In the future, the addition of income and commuting data will expand the capabilities of the model for rural development issues.

Advantages of our model

If we project ourselves forward a couple of years, what value will this model be? The advantages we see are as follows:

- flexible study regions. This model will be capable of analysis of a sub county region like the Burren or Connemara, a transcounty region such as Upper Shannon basin or a region as large as the BMW region. It would be ideal for examining the spatial impacts of a new "Gateway" or the "Functional Areas" suggested in the Consultation paper on a National spatial strategy. (Department of Environment and Local Government, 2001) It could therefore be of very considerable benefit to local and regional authorities when next they are making county development plans.
- flexible target groups. This model could enable us to carry out studies of particular groups who are geographically dispersed. It could for example contribute a new tool to our own analysis of farming families or to future studies of poverty in rural areas. For example it could help identify (when farming details have been added to the model) categories of farmers **and their location,** who would be adversely affected by suggested reforms in the Common Agricultural Policy.
- Can incorporate data from other sources. We can keep adding information all the time, as new data appear
- Can contribute to the process of rural proofing of policies mentioned in the White Paper
- Can allow analysis of the economic and social impact of the new structural funds

This paper today does not contain many results of our research. Its predominant purpose is to bring to the attention of those involved in local and regional development, (whether in community organisations or at official level) the fact that we are developing in Rural Economy Research Centre, what we believe will be, an immensely useful tool, for rural proofing, for policy analysis, and for assessing progress in achieving the aims of rural development policies.

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Appendix Table 1

Projections of County Populations for 2002, together with projected and actual population in 1996.

County	Projected Population 1996	Actual Population 1996	Projected Population 2002
Carlow	42537	41616	44592
Cavan	52005	52944	51478
Clare	91203	94006	92709
Cork County	288686	293323	300300
Donegal	131191	129994	134345
Fingal	165682	167683	182184
Galway County	126250	131613	130365
Kerry	121260	126130	124291
Kildare	134587	134992	151023
Kilkenny	75352	75336	76655
Laoighis	52553	52945	53631
Leitrim	24059	25057	23669
Limerick County	112368	113003	122873
Longford	29786	30166	30035
Louth	93331	92166	97255
Mayo	106711	111524	109018
Meath	109816	109732	119256
Monaghan	50889	51313	51273
Offaly	58100	59117	58154
Roscommon	50437	51975	51145
Sligo	54477	55821	57198
Tipperary N.R.	57016	58021	55277
Tipperary S.R.	74153	75514	77559
Waterford County	50599	52140	54084
Westmeath	62219	63314	64523
Wexford	102818	104371	106197
Wicklow	103155	102683	109356
State	3624862	3626087	3778056

Changing Agriculture: Impact on Rural Development

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Abstract

The contribution of agriculture to national wealth and viability of rural areas is significant. However, it is clear that the sector is in a state of flux. The increasing numbers of part-time farmers was one of the principal structural changes in the 1990's. Farm household income now depends as much on off-farm earnings as it does on farm incomes. Structural change has continued in the sector with declining farm numbers, and a 22% increase in the average area farmed. Employment on farms also declined rapidly and more than ever the farm business depends on the labour input of the operator alone. Projections of viable farms to 2010 indicate that the proportion of viable farms will be reduced to between 20% and 30% by that time. This would be accompanied by a rapid growth in part-time farming and a reduction in 'transitional' farms.

The growth in part-time farming has a positive effect on rural development in that it maintains a rural population, alleviates poverty and provides stability in rural areas. Estimates of between £800m and £1000m off-farm earnings by operators and spouses are a considerable boost to the rural economy. Increased farm size and a concentration of milk production on fewer farms contribute to the development of a viable commercial sector. The down-stream effects of such a sector are especially beneficial to rural areas.

The challenges facing rural policies is to ensure the maintenance of a viable farm sector and to integrate non-viable farms, mainly supported by subsidies, into an overall policy where the public good output is recognised.

Introduction

Fundamental changes have transformed agriculture in the last two decades. The introduction of milk quotas in 1984 was the clearest indicator of a turning point. Prior to this agriculture was a sector, where the essential dynamic was increased output. Agricultural policy, marketing and the support systems operated on this principle and in general the agricultural sector was conditioned to a productivist model of farming.

Since 1984 the dynamic that had fuelled the productivist model has been gradually removed and increased output in an EU context was positively discouraged. Replacing this relatively simple production model of agriculture is a new and complex multifunctional model. No longer is production the only or even primary role of agriculture but instead farming is also a supplier of a range of public goods which are not always clearly defined. These changes alter the relationships between the farm sector and the rest of society. Increasingly, the public requires a greater 'voice' in the activity of farming and especially the ways in which agricultural production affects the

environment and the quality of food produced. Regulatory systems pertaining to agricultural production are being developed to accommodate the public good and the requirements of consumers.

Clearly the topic of this paper is a wide and complex one where the origins of change occur at a number of levels ranging from the global/international level to the local and farm levels. At the most global level the Uruguay Agreement and the WTO negotiations set the parameters of agricultural trade and ultimately are incorporated into EU and national policies. The essential objective of these agreements and negotiations is to liberalise trade with respect to agricultural commodities and to reduce the levels of protection and support to individual farms. The move is toward a free market competitive economy where farms wherever they are located compete directly with each other.

At EU level the CAP is continually being adjusted and now operates to limit production. There is an ever-growing focus on the environment, animal welfare, other public goods and the socio-economic development of rural areas has become central to the policy design in the EU. This new rural development policy is now the 'second pillar' of CAP which is an essential part of the European Model of Agriculture. Given these multiple goals of EU policy, it is not surprising that there are inherent conflicts- "there is the desire on one had to moderate the decline in the number of farmers, while at the same time promoting the competitiveness of the industry" (Sheehy, S. & O'Connor, D., 1999).

At farm level the most significant policy change has been movement toward direct payments rather than support through the market system. These changes have increased the transparency of the support now available to farmers and accommodate the view that farming is not a sector apart but has wider social and public good implications for society.

It is within this evolving policy context that this paper is set. The objectives are to examine ongoing changes in the agricultural sector, to consider how these changes impact on rural development and to speculate as to how future changes and impacts might evolve. In particular the paper will examine:

- structural changes at farm level and the likely future profile and number of farms
- to consider briefly the notion and dimensions of rural development and
- to identify and interpret the impact of changes in agriculture on rural development.

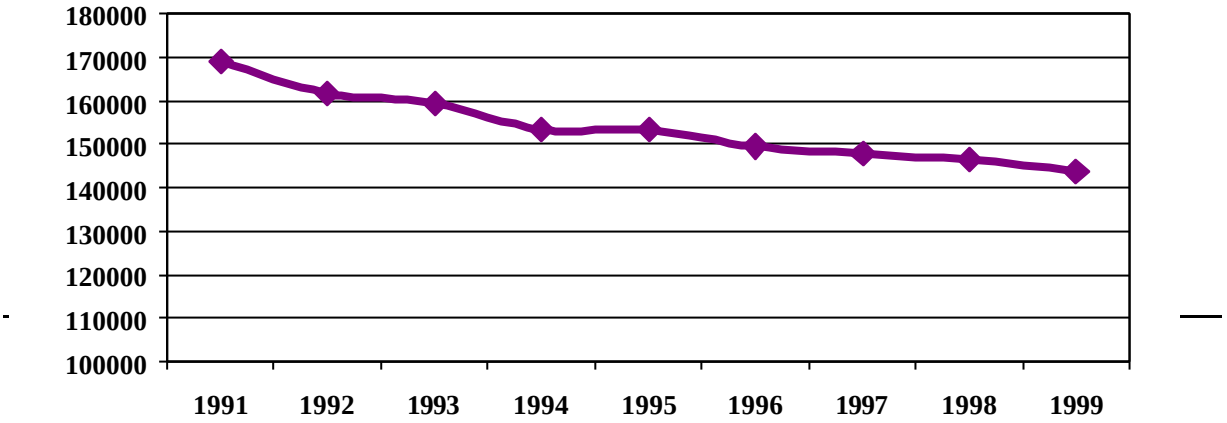
Structure Change at Farm Level

As is predominantly the case in the EU, farming in Ireland is largely family owned and operated, with relatively small units, and relatively stable in structural terms. Nevertheless there are ongoing changes with respect to farm numbers and size, type of enterprise, labour input, demography, income, and the viability of family farms. Taken over a longer period these changes are dramatic. However, the trends shown in this analysis are mainly confined to the last decade representing the most recent movements in ongoing and established trends. In this section structural changes are considered in turn under the headings indicated.

Farm Numbers and Farm Size

From Figure 1, it is clear that total farm numbers have fallen over the period 1991 to 1999 from 170,000 to 144,000, a decline of 25,200. In percentage terms this is almost 15% (2% per annum), somewhat lower than the previous decade though a direct comparison is not possible due to definitional changes.

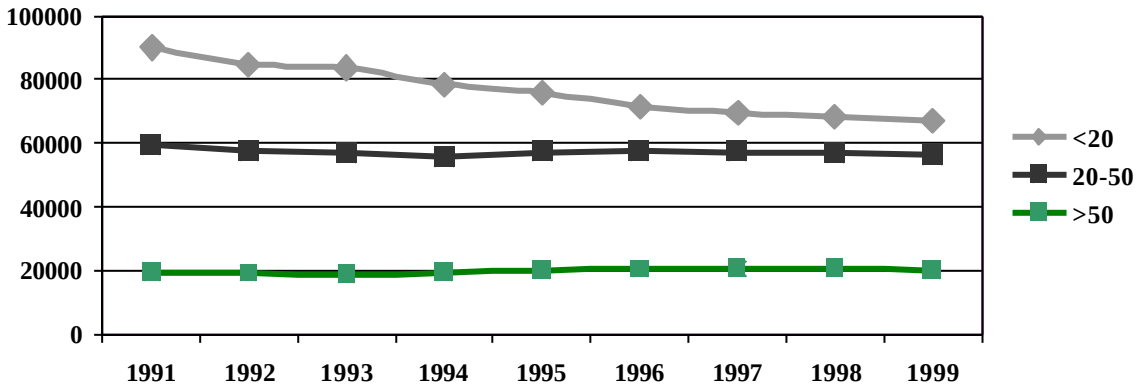
Figure 1: Total Farm Numbers; 1991-1999



Source: CSO, Statistical Releases

Figure 2 shows that most of the decline in farm numbers is due to a reduction in farms less than 20 ha (down from 90,000 in 1991 to 68,000 in 1999). This represents an overall decline of 25% or more than 3% per annum, and contrasts with a very small increase in the number of farms over 50 ha.

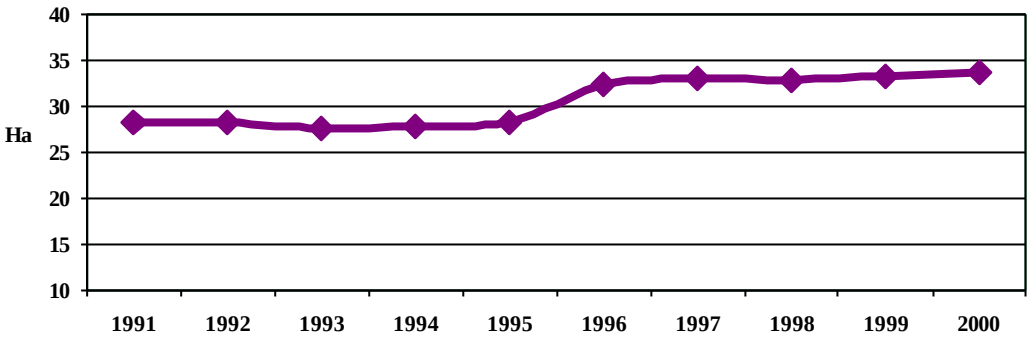
Figure 2: Farm numbers in each size category; 1991-1999



Source: CSO, Statistical Releases

This reduction in overall farm numbers has facilitated an increase in average farm size. In 1991 average farm size was 28.2 ha and by 2000 this had increased to 33.6 hectares (Figure 3).

Figure 3: Average farm size; 1991-2000



Source: CSO, Statistical Releases

Farm Systems

The following tables show how farm structures have altered in terms of size and system of enterprise since 1993. Table 1 shows that there was some reduction in the proportion involved in dairy systems and an increasing participation in cattle rearing systems. In 1993 19.4% of all farms were specialist dairy farms (32,000) but this had declined to 17.4% in 2000, approximately 21,500 farms. A similar reduction was recorded in the dairy and other system. The most dramatic increase was in the cattle rearing system, from 16.4% of farms in 1993 to 22.7% of farms in 2000, representing an actual increase of 1,000 farms. This can be related, in part at least, to the fact that many of those exiting from dairying adopt a suckler system (Fingleton and Frawley, forthcoming).

Table 1: Percent of farms in each system; 1993 and 2000

	1993	2000
	%	%
Dairy	19.4	17.4
Dairy & other	14.9	12.4
Cattle rearing	16.4	22.7
Cattle & other	27.5	27.8
Sheep	15.8	14.4
Tillage	5.5	4.7
All	100	100

Source: Teagasc, National Farm Survey 1993 and 2000

Table 2 shows that in the period the average size of farm increased by 6 hectares or 21.7%.[2] Unexpectedly, the lowest level of increase (in percentage terms) was for the specialist dairy farms followed closely by the sheep system. The dairy and other system had the highest increase of 42.3% (13.9 ha on average). Those in the cattle rearing system, which consistently return low farm incomes increased their farm size by 7.2 ha or 41.2%. Tillage farms on average increased their farm holdings by 13.5 hectares.

[2] The NFS estimates differ somewhat from the aggregate CSO figures, mainly because farms lass than 2 ESU's are eliminated from the NFS.

Table 2: Average farm size in each system; 1993 and 2000

	1993 ha	2000 ha	% change 1993-2000
Dairy	32.0	36.3	13.4
Dairy & other	32.8	46.7	42.3
Cattle rearing	17.1	24.3	41.2
Cattle & other	21.2	27.2	28.3
Sheep	31.6	36.0	13.9
Tillage	49.5	63.0	27.3
All	27.6	33.6	21.7

Source: Teagasc, National Farm Survey 1993 and 2000

While it is not within the scope of this paper to examine these dynamics a number of observations are appropriate. Because of the relatively large decline of specialist dairy enterprises, it might be expected that the smaller producers had exited and consequently increased the size of those remaining. The introduction of REPS and extensification premia provided an impetus for those participating in these schemes to expand to avail of maximum payment. It is likely that many in the drystock systems have rented-in land to avail of these payments.

Demography

From data available in the NFS on the demographic aspects of farm households it is possible to examine changes over the 1990s. When the percentage of operators and spouses in each age bracket was estimated (Table 3), it is seen that the most significant changes were a reduction in the numbers of operators and spouses over 65 (from 21% of operators and 20% of spouses in 1990 to 17% of operators and 16% of spouses in 1999), and an increase in the percentage of operators and spouses in the 45-54 age bracket. The introduction of the Early Retirement Scheme in 1994 attracted 9,400 participants up to the end of 1999 and clearly had an impact on the over-65 year old decline.

Table 3: Percentage of operators and spouses in different age categories for selected years

Age Category	1990		1995		1999	
	Operator	Spouse	Operator	Spouse	Operator	
	%	%	%	%	%	%
20-24	1	0	1	0	1	0
25-34	9	7	11	7	9	6
35-44	21	24	21	23	22	23
45-54	23	25	24	27	27	30
55-64	24	24	25	25	23	25
65+	21	20	19	18	17	16
Total	100	100	100	100	100	100

Source: Teagasc, National Farm Survey, various years

Changes in the household over the period were also examined (Table 4). The number of one-person farm households declined by approximately 6000 in the 90's

or from 13.7% of the population to 12.3%. Similarly, the number of farm operators who were unmarried (never married) declined from 23,900 in 1990 to 21,500 in 1998 or in proportional terms a decline of 1.8%. By contrast there was an increase in the proportion of farm households with children. While these changes have relieved the isolation experienced in the past, regional disparities remain. For instance analysis of NFS data for 1998 shows that 17% of farm households in Connaught are one person households.

Table 4: Number and Percent of farm households in different demographic categories; 1990 and 1998

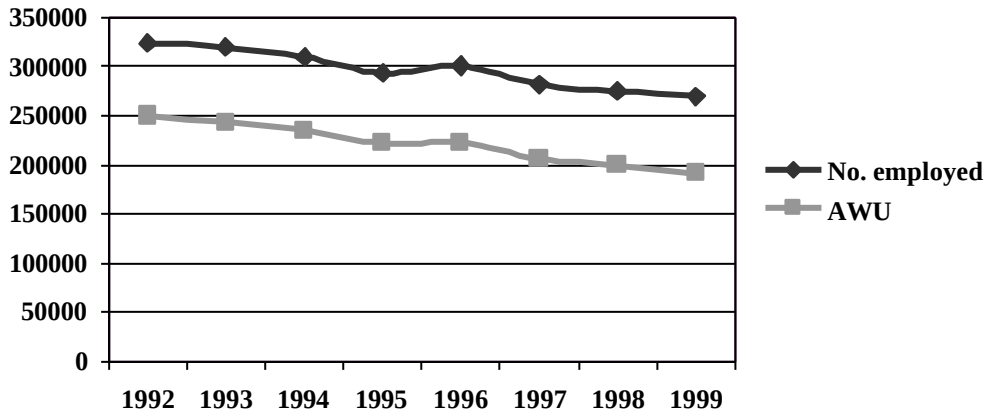
Household Category	1990		1998	
	No.	%	No.	%
Living alone	21,900	13.7	16,000	12.3
Operator never married	29,300	18.3	21,500	16.5
Married with children	72,000	45.0	62,000	47.7
Married, no children	36,800	23.0	30,500	23.5
Total	**160,000**	**100**	**130,000**	**100**

Source: Teagasc, NFS, various years

Employment

Employment at farm level continued to decline over the 1990's both in terms of the number of persons whose main source of income was from farming and as measured in annual work units (Figure 5). Between 1991 and 1999 the number of persons engaged in agriculture declined by almost 43,000 (14%). When expressed in terms of AWUs the decline was greater, amounting to 53,500 AWU's (22%). Conservative projections indicate that this level of decline will continue until 2010 at least (Department of Agriculture, Food and Rural Development, 2000).

Figure 5: Employment on Farms; 1992-1999



As shown in Table 5 the vast proportion of farm labour is family labour with approximately a 5% contribution from hired labour. Reference to previous periods shows that the decline in hired labour had occurred at an earlier time. In the 90s the

most dramatic change in employment was the reduced input from spouses (mainly wives). Between 1992 and 1999 24,000 spouses had disengaged from farming, a decline of 32%. Other family workers also disengaged in the period, showing a decline of 15% in others engaged and a 29% decline when measured in AWUs. The lowest level of decline was in the farm operator category (holders), down from 161,000 in 1992 to 144,000 in 1999, a decline of 10.5%. In terms of AWUs the level of decline was somewhat more at 14%. It is clear from these trends that farming is becoming less family orientated and more a one-man operation on the majority of Irish farms.

Table 5: Employment on farms; 1992-1999

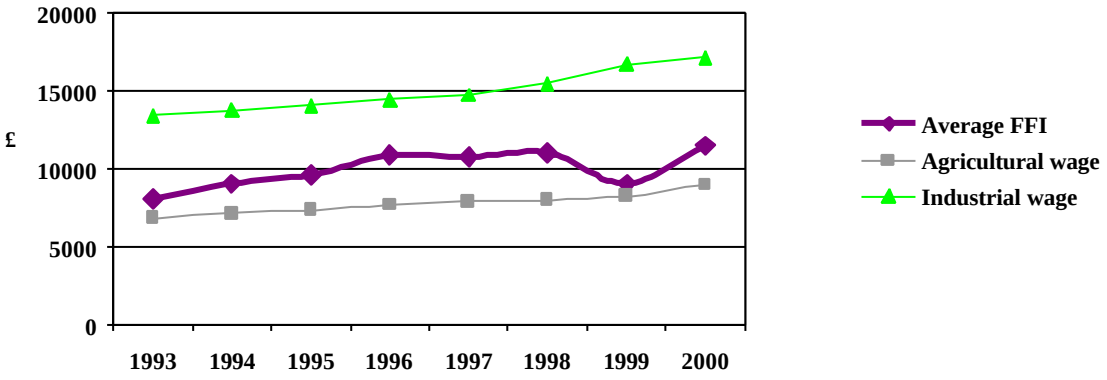
		Holder	Spouse	Family	Other	All
1992	No. (AWU)	161,000 (136,000)	74,000 (52,000)	74,000 (42,000)	16,000 (11,000)	324,000 (250,000)
1993	No. (AWU)	159,000 (132,000)	73,000 (50,000)	73,000 (41,000)	15,000 (11,000)	320,000 (243,000)
1994	No. (AWU)	153,000 (128,000)	68,000 (46,000)	74,000 (42,000)	16,000 (11,000)	310,000 (235,000)
1995	No. (AWU)	153,000 (128,000)	59,000 (99,000)	66,000 (35,000)	16,000 (10,000)	293,000 (222,000)
1996	No. (AWU)	149,000 (1232,000)	72,000 (98,000)	66,000 (34,000)	14,000 (9,000)	301,000 (223,000)
1997	No. (AWU)	148,000 (122,000)	54,000 (34,000)	66,000 (32,000)	14,000 (9,000)	282,000 (206,000)
1998	No. (AWU)	146,000 (120,000)	51,000 (31,000)	65,000 (32,000)	14,000 (8,000)	275,000 (200,000)
1999	No. (AWU)	144,000 (117,000)	50,000 (30,000)	63,000 (30,000)	13,000 (8,000)	270,000 (192,000)

Source: CSO, Statistical Release, various issues

Farm Household Incomes

Figure 6 shows that average family farm income (FFI) rose steadily in the early to mid 1990s, followed by a period from 1996 to 1999 where it was stable or falling, and recovered again in 2000. This compares with a continually increasing, and substantially higher average wage rate for industrial workers. Compared with the agricultural wage rate it is better but when account is taken of the fact that FFI is the return to all family labour and investments the comparison is more clearly understood.

Figure 6: Average FFI, Industrial Wage and Agricultural Wage; 1993 - 2000



Source: Teagasc NFS, various years CSO, Statistical Bulletin, various issues

Wide disparity in family farm income continues depending on system of farming (Table 6). Average incomes on dairy farms are substantially higher than those on other farms and their dependence on direct payments is considerably less. From the table it can be seen that for drystock systems, family farm incomes are low and completely derived from direct payments.

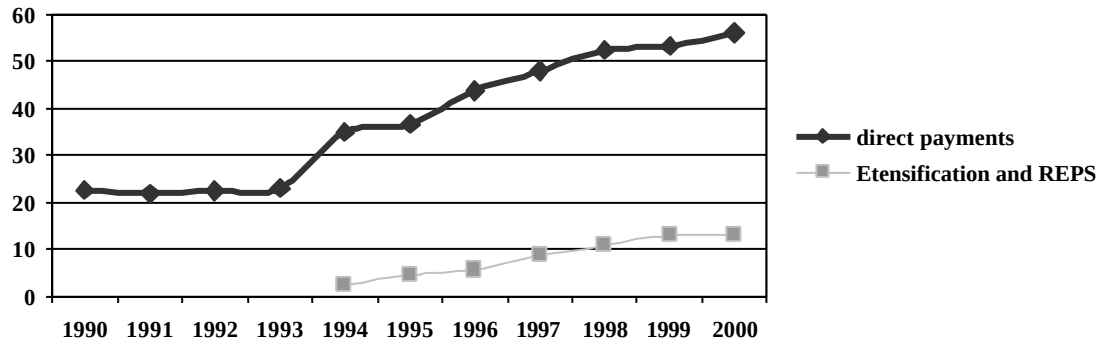
Table 6: FFI, Direct Payments, and System of Farming, 2000

	Dairy	Dairy other	Cattle Rear	Cattle other	Mainly sheep	Mainly tillage	All
% of farms	17	12	23	28	15	5	100
FFI (£)	21,990	18,908	6,020	6,123	7,431	23,670	11,502
Direct payments as % of FFI	20	50	120	124	121	74	68

Source: Teagasc, NFS, 2001

The switch to direct payments, since the 1992 CAP reforms as a means to support farm income is captured in Figure 7. The first effects of the change in policy is shown for 1994 and continued to 2000 where direct payments accounted for 55% of aggregate farm income. Under Agenda 2000 these trends will continue up to 2002. It is also shown in the graph that environmental payments per se (REPS and Extensification payments) are becoming a significant component of the financial support system to farming, which is in keeping with the provision of public good services that are encouraged by EU and National policy.

Figure 7: Direct payments and environmental payments as percentage of aggregate farm Income



Source: CSO, Statistical Bulletin, 2000

Farm households however do not depend on farm income alone. CSO data show that farm families increasingly derive a major proportion of their income from non-farm sources (Table 7).

Table 7: Components of average farm household income and all household incomes in the state for selected years

Income Component	Farm Households				All Households	
	1994/95*		1999/2000*		1999/2000*	
	£	%	£	%	£	%
Farm income	9,533	51	10,196	39	799	3
Non-farm employment	5,219	28	10,092	39	18,286	67
Other direct	672	4	1,483	6	3,261	12
Other income	989	5	1,513	6	1,626	6
Total State Transfer	2,169	12	2,746	10	3,331	12
Gross Income	**18,582**	**100**	**26,031**	**100**	**27,303**	**100**

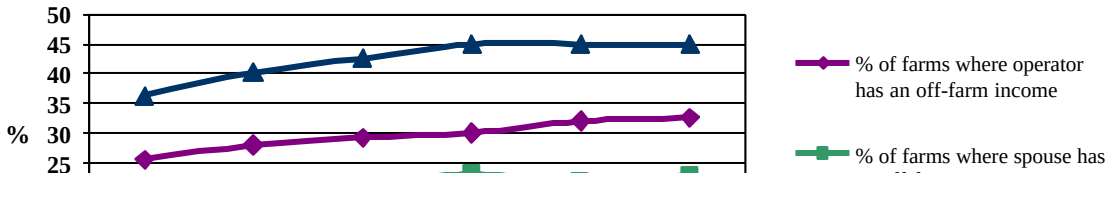
Source: CSO, Household Budget Surveys 1994/95 and 1999/2000

The most recent household budget survey (1999/2000) shows that for farm households the contribution of farm income and income from non-farm employment is approximately equal at 39%. The contribution of farm income has declined substantially since 1994/1995. Compared with all households in the state farm household incomes were approximately £1000 less on average in 1999/2000 but when taxation was taken into account the difference was eliminated. It is clear from these data that farm households are extensively operating in both the farm and non-farm economies.

Part-time Farming

The increased contribution of off-farm income to the farm household economy is reflected in the increasing trends of operators and their spouses to hold an off-farm job (Figure 8). For farm operators the level of off-farm employment was 26% in 1995 and rose to 32% over the four years to 2000. For the spouse off-farm employment growth has been even more dramatic going from 15% of households in 1995 to 23% in 2000. Looking at the percentage of households with at least one off-farm income source- there has been a rise from 36% in 1995 to 45% in 2000. The rate of off-farm employment take up has slowed somewhat since 1998.

Figure 8: Off-farm Employment Status; 1995-2000



Source: Teagasc, NFS, 1995-2000

An examination of the occupations of farm operators in 1998 shows that the largest proportion (28%) were engaged in the construction industry with a further 28% in the agricultural sector, such as contracting, relief services etc. The remainder were distributed across a wide range of occupations including professional, transport/communications and services. By contrast spouses were predominantly employed in professional occupations (38%) or in clerical positions (26%). A further 13% were engaged in service industries. On the basis of weeks devoted to off-farm unemployment and using standard earnings for different occupations it was estimated that operators and spouses on average earned in the region of £10,000 in 1998. Data from the NFS for 1998 indicate a similar estimate for operators in that year.

Table 8: Farm and household characteristics for farm operators and spouses with and without an off-farm job, 1998

Characteristic	Farm Operator		Spouse	
	With job	Without job	With job	Without job
Farm size (ha)	24	37	37	32
% in dairying	9	42	30	33
% in dry cattle	69	39	44	49
% in sheep	19	12	20	12
% in tillage	3	7	6	6
All systems	100	100	100	100
% married	68	62	-	-
Average age	46	54	45	51
No. of h/h members	4.2	3.6	4.7	3.9

Source: Teagasc, NFS 1998

Significant differences between those with and without an off farm job are evident. For instance operators with a job had smaller farms and only a minority were engaged in dairying as the main enterprise. By far the most likely enterprise for these operators was dry cattle (69%). Conversely, operators who were full-time

farmers had larger farms (37ha on average) and predominantly more of them were engaged in dairying. In terms of personal and household characteristics, farmers with a job were younger, were more likely to be married and had a relatively larger household size. The farm spouse and their off-farm employment status was not associated with any farm characteristics, a further sign of their increasing disengagement from its operation.

Further analysis gives an indication of the possible pool of farm operators who may be available for off-farm employment (Table 9).

Table 9: Percent of farm operators in different circumstances vis-à-vis taking an off-farm job by farm system, 1998

System	Has Job	No Job;over65	'Available'	All
Specialist dairy	8	7	85	100
Dairy/other	8	16	76	100
Cattle rearing	51	14	35	100
Cattle/other	37	33	30	100
Mainly sheep	39	15	46	100
Tillage/other	14	10	76	100
Total	**30**	**18**	**52**	**100**

Source: Teagasc, NFS, 1998

It is clear that dairy systems had the highest proportion of operators available to take an off-farm job. However, considering the low uptake to-date and the inflexibility of dairy systems in terms of labour requirement it is unlikely that many jobs will arise from this source. There is also considerable potential within the tillage system but in numerical terms this potential source is relatively small. Given the levels of income derived from the drystock systems it is likely that future part-time farmers will be derived mainly from these systems. However, it is obvious that this potential source will be reduced over time.

An obvious factor in the future growth of part-time farming will be the availability of jobs in locations accessible to farmers. The regional distribution of part-time farming in 2000 is shown in Table 10.

Table 10: Percent of farms where the operator and/or spouse have an off farm job by region, 2000

	Reg. 1	Reg. 3	Reg. 4	Reg. 5	Reg. 6	Reg. 7	Reg. 8	All
Operator	32.3	22.5	39.1	37.0	18.6	19.5	48.6	32.7
Spouse	21.4	22.0	25.7	30.2	21.3	24.6	28.1	23.0
Operator and/or spouse	41.9	38.4	54.9	54.0	34.9	38.2	56.4	45.0

Reg. 1 Louth, Leitrim, Sligo, Cavan, Donegal, Monaghan
Reg. 3 Kildare, Meath, Wicklow
Reg. 4 Laois, Longford, Offaly, Westmeath
Reg. 5 Clare, Limerick, N. Tipperary
Reg. 7 Cork, Kerry
Reg. 8 Galway, Mayo, Roscommon

Source: Teagasc, NFS, 2000

Off-farm employment participation varies significantly between regions. Region 8 (west) and Region 4 (midlands) had the highest levels for operators and for operators and/or spouses. In general these are drystock regions where farm incomes are low indicating a 'push' factor motivation. In contrast Region 6 (south east) had the lowest levels. In farming terms this region is relatively strong and in addition does not have a strong urban centre, with the exception of Waterford city.

Other Factors Affecting Agricultural Change

The main driving force behind many of the changes examined, such as a declining labour force, farm enlargement and fewer farms can be attributed to changes in technology. As well as displacing labour, farm innovation increased productivity, and innovation and technology transfer in farming was promoted and encouraged. This situation is however becoming more complex because of commodity surpluses and consumer concerns for many of the new technologies now relevant to farming. The future impact of new technology on farming is likely to be affected as much by consumer and 'political' issues as it will be by productivity or increased efficiency.

Over the past decade the most significant change in farm diversification is the afforestation of approximately 170,000 ha of land. More than half of this planting has been by farmers and in this way the financial incentives to encourage extra afforestation benefit rural areas. As much of this planting is on land marginal to agricultural use the effect on agricultural output has not been substantial (Kearney, B. & O'Connor, R., 1993).

Ultimately all these factors continued continue to shape the overall structure of the sector and future viability of farm households.

Viability of Family Farms

The increasing pressure on farm incomes leaves no doubt that the continued existence of many family farms cannot be maintained from farming alone. The supplementation of farm income by off-farm employment and other sources is well established, to the extent that non-farm employment income now equates farm income.

Viability is a multi-dimensional concept in definition and meaning. In this paper its definition and measurement follows the NFS approach. A farm is considered to be economically viable if it returns an income sufficiently large to remunerate family labour at the standard agricultural rate plus a 5% return on non-land assets. All other farms are non-viable in economic terms. Non-viable farms are further divided into three categories, namely (i) Part-time Farmers, (ii) Farm Households with Good Demography and (iii) Farm Households with Poor Demography. In definitional terms Part-time Farmers are those where the operator and/or spouse had off-farm employment. Other households with Poor Demography are taken to be those where the operator is 55 years or more and where there is nobody else less than 45 years in the household. Good Demography households constitute the rest of the farm population.

Analysis of NFS data for selected years in the 1990s show the trends in viability of farm households in the period (Table 11). While there are some deviations from the general trends (See Appendix Table 1) for individual years the pattern is clear. Viable farms decreased in number and percentage terms in the period but the highest decline was in the small viable farms. By contrast the number of part-time farms increased substantially. Also there was a considerable reduction in the number of farms where the household demography was defined as poor.

Table 11: Number and Percent of farms in different viability categories for selected years

Category	1992		1994		1999	
	No.	**%**	**No.**	**%**	**No.**	**%**
Viable	51,200	31	44,200	29	33,600	27
- Large	33,000	20	35,300	23	28,000	22
- Small[1]	18,200	11	8,900	6	5,600	5
Non-viable	113,800	69	109,800	71	89,800	73
- Part-time	29,700	18	39,600	26	42,200	34
- Good demography	51,200	31	40,500	26	30,700	25
- Poor demography	33,000	20	29,700	19	16,900	14
Total	**165,000**	**100**	**154,000**	**100**	**123,400**	**100**

[1]Viable within the definition adopted but with less than .75 of Standard Labour Unit

Various projections over the next decade assume these trends will continue. The pace of projected change will depend on many factors including changes in

agricultural policy and the national economy. Table 12 is a summary derived from the Agri-food 2010 Report of its projections for 2010.

Table 12: Projections of farm numbers in various categories for 2010

Categories	**1999**	**2010[1]**	**2010[2]**
Viable	33,600	35,000	20,000
- Large	28,000	30,000	20,000
- Small	5,600	5,000	0
Non-viable	89,800	85,000	80,000
- Part-time	42,200	50,000	60,000
- Good demography	30,700	9,000	5,000
- Poor demography	16,900	21,000	10,000
- Micro	-	5,000	5,000
Total	**123,400**	**120,000**	**100,000**

[1] Baseline projection i.e. assuming no policy change
[2]Assumes policy changes increasing competitiveness in farming, increased participation in off-farm employment and reduced numbers of elderly in farming
Source: Agri-Food 2010

The main change expected is an increased number of farm operators and their spouses taking up off-farm employment. Irrespective of the alternative jobs available to farmers it seems likely that the pressures on farm income will dictate this trend at least in the shorter term. However, as part-time farmers move into the succeeding generation it is less clear if the second generation will continue to farm on a part-time basis or even if they will retain the farm. From the perspective of on-going trends in farm numbers (approximately 2% decline per annum) the scenario projecting 100,000 farms in 2010 seems most likely. This scenario projects that by 2010, only 20,000 viable farms will remain, 20% of the farm population.

Rural Development

There is little consensus as to a precise definition or meaning of rural development nor as to how it is measured. Increasingly the simple dichotomy of urban-rural is less relevant as the boundaries between rural and urban are blurred. One writer (Hoggard, 1990) proposed 'to do away with rural' because it causes more confusion than clarity in social enquiry. Similarly a generally accepted definition of development remains illusive. The reality, however, is that rural areas still exist but the nature of rural life is evolving. EU and National policies have been formulated with rural as a perspective and rural development as a goal, therefore the concept remains at the heart of research and development in these areas.

The complexity and scope of rural development is most evident in the government's White Paper on rural development. This source claims that in its widest terms rural development is "a process which involves a broad multi-sectoral concept which embraces a wide range of economic and social activity" (p19). In particular the government's vision of rural development is the development or maintenance of vibrant rural communities where there is:

> "a range of age, income and occupational groups such as to allow them…to enjoy a standard of living and a quality of life which make them attractive communities in which to live and work; (where) the maximum number of rural households and especially family farms, will be retained" (Department of Agriculture and Food, 2000).

The general headings under which this vision will be implemented are (i) the development of institutional arrangements to empower rural communities (ii) to ensure balanced regional development (iii) employment maintenance and creation (iv) to enhance the human resources in rural areas especially in respect to education and training (v) to promote social inclusion and the relief of marginalisation in society (vi) to support and foster the heritage and culture of rural areas and (vii) to protect and enhance the rural environment. In the broader sense rural development is also envisioned as a public good to be enjoyed by all of society.

As the major sector in most rural areas it is obvious that changes in agricultural impact on many of these dimensions of rural development. It is less clear however how these changes affect rural development or indeed how these impacts can be quantified. There is limited research relating to these specific issues in the Irish context and indeed in the wider European Community. In the next section consideration is given to the most significant changes in the farming sector over the past decade and how these changes affect selected aspects of rural development.

Impacts on Rural Development

The major changes in agricultural structures and policy environment in the past decade were identified in the first part of the paper. The most significant changes can be summarised as (i) continued decline in farm labour force, (ii) the increase in part-time farming and multiple income farm households, (iii) the continuing decline in farm numbers, (iv) changes in systems/size, (v) demographic changes and at a more general level the changing policy environment in which farming operates. The question is how these changes affect and impact on the wider rural economy and the process of rural development. Following the government's White Paper the seven dimensions of rural development are taken as the significant aspects of rural areas where these changes may have an impact. In the first instance it is relevant to consider if agricultural changes have a positive or negative impact on the various dimensions of rural development. Quantification of these effects is however less amenable and in this paper is confined to comment.

Figure 9 is an attempt to summarise the most likely effects of changes in the agricultural sector on the different dimensions of rural development.

Figure 9: Probable effects of Changes in Agriculture on Rural Development

Dimensions of Rural Development	**Agricultural Changes**					
	Labour decline	**Farm Nos.**	**Part-time**	**Size and System**	**Demog.**	**Policy Change**

Employment	-	-	+	-	+	
Human resources	+		+		+	
Balanced Developments		-	+	-		+
Environment		-				+
Heritage	-	-				+
Social Inclusion	+		+	+	+	
Instit. Arrangements			+		+	

Looking at the impacts of agricultural change on rural development in this way it is obvious that there are both negative and positive effects. Clearly, there is a degree of judgement required. Moreover, it is most unlikely that there will be consensus as to how these impacts can be judged. Cognizant of these difficulties some interpretation of the effects of agricultural changes are offered under the various headings.

Decline in the Agricultural Labour Force

This is an ongoing change in farming, not only in Ireland but universally in developing economies. It is essentially an adjustment for surplus or underemployed labour. Decline can occur in a number of ways such as a low recruitment of young people, shedding of hired labour, uptake of off-farm jobs, etc. In employment terms in rural areas this trend has a negative effect. In so far as young people are not attracted to farming this too has negative implications. On the other hand if labour is attracted to better incomes and conditions this has positive effects.

Decline in Farm Numbers

Maintaining the maximum number of rural households and especially family farms is an aspiration endorsed in the White Paper on rural development. As clearly shown in the discussion on structural change the most rapid decline is of farms less than 20 ha. Apart from exceptional circumstances farms of this size on their own are not commercially viable. Accompanied with an off-farm job there is a case for maintaining small farms to inhabit rural areas. It is however impossible to be decisive on this issue as it can be cogently argued that in many respects a nucleated or village type settlement is most easily serviced and less isolated for rural families.

Increase in Part-time Farming

Farm households increasingly have multiple sources of income and bridge the farm-non-farm divide in a substantial way. The emergence of households operating in two economies is generally welcomed both in terms of the financial supports available and in the agencies serving farmers, for instance the Teagasc Viability Service. These policy positions are justified when it is considered how part-time farming impacts on the various dimensions of rural development. Clearly, this pattern of adjustment has a positive impact on (a) balanced development (b) human resources and (c) social inclusion, and probably in other ways.

The increased participation of spouses (predominantly wives) in off-farm employment is not only an advantage to farm women but taps a resource often under-utilised and contributes considerably to the household economy. Moreover, farm spouses are becoming less involved in the farm enterprise and increasingly they follow independent careers. If it is taken that in 2000 there were 40,500 farm operators with an off-farm job and 28,500 spouses similarly employed their contribution[3] to the rural economy is likely to range between £800m and £1,000m annually. Given that farm households reside almost exclusively in the countryside these monies are specifically relevant to rural areas and rural development. Studies have shown (Harrison, 1993) that small scale farmers purchase more locally and in this way the spin-off or multiplier effects are likely to be positive in rural areas.

Regional variations of the participation in off-farm employment are also evident. Regions heavily dependent on low-income drystock systems have the highest level of participation of operators. Clearly the availability of jobs, albeit unskilled employment for the most part, provides an opportunity to supplement low farm incomes. Regions with a more prosperous farm sector such as the South - East have the lowest level of operators with an off-farm job but as the viability threshold increases, the option of a full-time farm career will also diminish even in good farming areas.

It is clear that part-time farming has secured the viability of a great number of farm households who otherwise would live in poverty or move out of agriculture and possibly their own rural community. The increase in part-time farming has a stabilising effect not only for the farming household itself but for the wider local community in which they live and participate.

Size and System Changes

Average farm size increased by 22% between 1993 and 2000. Another notable trend was the relatively high levels of exits from specialist dairying with an increase in the cattle rearing systems. Unexpectedly however the dairy system was the slowest to expand (in area farmed) while cattle rearing, one of the most extensive and less financially rewarding systems had the second highest rate of expansion. It is difficult to interpret the effects or impacts of these trends on rural development. Intuitively it

[3] Based on an average income between £12,000 and £15,000 per off-farm worker in 2000.

would seem that the competitiveness of the commercial sector would require a rapid expansion in the scale of operation. For instance the 2010 report concludes that the minimum size of a viable dairy unit by that time will be 70,000 gallons. In the long run a prosperous and commercial agricultural sector will benefit the economy of rural areas. In this regard a UK study (Harrison, 1993) shows that the downstream employment effects of agricultural employment could be as high as 1:1, meaning that for every person employed in farming a person equivalent is required in ancillary services.

Given the relatively small scale of family farms in Ireland the trends toward enlargement and specialisation are positive factors in promoting rural development. Moreover recent data shows[4] that there has been considerable change in the overall dairy sector between 1996 and 2000. Almost 9,000 producers have ceased production in the period, with a rapid decline in producers of less than 180,000 litres (approximately 43,000 gallons). Moreover, the indications are that there is a shift in intensive production, including dairying, from the north and west and concentrating in the south and east (Lafferty, Commins & Walsh; 1999).

The increase in afforestation in the 1990s was the most significant change in terms of farm diversification. The increase in planting by farmers tend to retain forestry premia in rural areas and in this way have a positive impact on rural development. The overall contribution of forestry to rural development depends on a number of factors, such as employment impacts and the effects on agricultural output. There is also a regional dimension to afforestation in that some counties, especially in the west have experienced a relatively rapid increase in afforestation. There has been concern, that in some instances, the level of planting damaged local amenity and local communities. In this context there is evidence from Scotland that when forestry cover exceeds 30% in a district, agricultural decline becomes evident (Mather, 1995).

Demographic Changes

The most significant demographic change in the 1990's was the substantial reduction in the number of farmers over the age of 65. The evidence also shows that there was a reduction in the number and the proportions of farmers living alone, and of unmarried farmers. It seems that the spectre of bachelor farmers is being assigned to history and that the demography of farm households has adopted a more normative profile. Clearly these changes in household demography enhance the prospects of rural development.

Policy Changes

Very significant changes in the policy framework of farming occurred in the 1990's. In particular the switch in farm support to a direct payment system and the increased

[4] Department of Agriculture, Food and Rural Development, personal communication.

concern for the environment were the major changes. The effects of these policy changes on agricultural production have been significant. Since 1994 more than 40,000 farmers have participated in REPS accounting for more than 30% of agricultural area used. This is a voluntary scheme that limits the intensification of farm production. Likewise, the response to extensification measures, which also limits the level of intensification, has been widely adopted. It is clear that these policy measures have had a moderating effect on intensive farm production and overall contributed to the environmental requirements of rural development.

Discussion and Conclusions

Structural change continued in the 1990s in terms of fewer farms, a reduced labour force and changes in farm scale and systems. Farms less than 20 ha accounted for most of the decline in farm numbers and recent trends also show that small scale dairy farms are ceasing production. The shift toward extensification in farm production was also evident in the uptake of REPS, extensification premia and a substantial increase in farm size in drystock systems. Diversification in production was mainly confined to afforestation. Major changes in farm policy were also a feature of the 1990s with a switch to direct payments (as distinct from market support) and an emphasis on environmental payments that also contribute to farm income.

Projections indicate that these trends will continue over the next decade resulting in a smaller number of full-time viable farms, an increasing number of part-time farms and a declining sector depending mainly on farm premia and environmental payments. Clearly the challenge to promoting rural development is to devise policy measures and strategies to allow these increasingly divergent categories to maximise their own welfare.

The development and maintenance of a competitive and viable sector is a major challenge that is vital to the well-being of rural communities. In the context of increased regulation, environmental constraints and quotas, the traditional productivist model of development has its limitations. It is important however to continue appropriate innovation and technological change and the development of a skills and knowledge base to ensure that Irish farming is competitive. It is vital that commercial family farms are given the scope and support to develop their enterprises and provide the necessary down-stream benefits for local communities.

The contribution of part-time farming to the maintenance of farm families in their local communities has had a positive effect on rural development. In the foreseeable future the option of an off-farm job will most likely be the most effective way for many low-income farmers to supplement farm incomes. However, studies show that part-time farmers are becoming a heterogeneous category ranging from ‘hobby farmers’ and ’investors’ to those where farming is the main occupation. Another issue is whether part-time farmers are a transitional category or if second and succeeding generations will continue as ‘committed’ farmers. In the European context it does not

appear that part-time farming is a transitional or temporary phenomenon. Summing up this debate Kinsella et al conclude that:

> "*it remains largely an open question as to whether pluriactivity persists because it is a viable livelihood strategy in itself, or because there is continuously a category of farms on its way out of farming"* (Kinsella, J., Wilson, S., de Jong, F. and Renting, H., 2000).

While part-time farming is an effective adjustment strategy for individual farm households and acknowledging its contribution to rural development, the prospect of up to 60% of farms being part-time by 2010 is not an ideal platform for an agricultural industry. This possibility reinforces the need to develop a strong commercial farm sector.

The remaining category are those mainly full-time farmers with insufficient resources to be economically viable. Presently they comprise about 40% of the farm population but it is expected their numbers will decline rapidly in the next decade. In the main they are engaged in drystock systems and increasingly their farm incomes depend on direct payments in the form of premia, compensatory allowances and environmental payments such as REPS. In a multifunctional model of agriculture these are the farms that contribute most to public good objectives, such as environmental protection, maintenance of a living rural landscape and the culture and continuity of rural communities. In terms of agricultural development the challenge is to integrate these public good objectives with production practices. Considering consumer concerns for wholesome food, a clean environment and the perception that local food is somehow safer than 'global' or anonymous goods (Nygard & Storstad; 1998) the shift towards organic production and regionally branded foods may have possibilities. In a wider context there would seem to be scope to link extensive environmental farm practices with farm output to move towards higher value products.

In the final analysis it seems that agriculture is moving toward a more segregated structure composed of a commercial farm sector, a part-time sector and a more sheltered subsidised sector delivering public good objectives. It follows that farm policy measures must also recognise these different farm sectors and their specific requirements to attain the overall objectives of rural development.

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Appendix 1

Table 1: Estimated number of farms by viability category for selected years

Category	1991		1992		1993		1994		1996		1998		1999	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Viable	**40,000**	**24**	**51,200**	**31**	**47,000**	**29**	**44,200**	**29**	**47,300**	**37**	**44,300**	**34**	**33,600**	**27**
Large viable	28,300	17	33,000	20	346,000	21	35,300	23	35,000	27	33,400	26	28,000	23
Small viable	11,700	7	18,200	11	12,400	8	8,900	6	12,300	10	10,900	8	5,600	5
Non-viable	**125,000**	**76**	**113,800**	**69**	**118,300**	**71**	**109,800**	**71**	**80,600**	**63**	**83,900**	**66**	**89,800**	**65**
With other job	30,000	18	29,700	18	36,400	22	39,600	26	38,500	26	38,500	30	42,200	34
Good demography	58,300	36	51,200	31	48,100	29	40,500	26	29,200	24	29,200	23	30,700	25
Poor demography	36,700	22	33,000	20	33,800	20	29,700	19	16,200	13	16,200	13	16,900	14
Total	**165,000**	**100**	**165,000**	**100**	**165,000**	**100**	**154,000**	**100**	**128,200**	**100**	**128,200**	**100**	**123,400**	**100**

Source: Teagasc, NFS, various years

Enterprise in Rural Areas: Trends and Issues

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Abstract

The growth in employment and the increases in incomes during the 1990s were shared by all regions but rural regions did not fare as well as the more urbanised regions. All regions also increased self-employment outside of agriculture and expanded the number of business start-ups. State-assisted employment and enterprise growth have been driven strongly by foreign enterprises, and these have tended to locate in Dublin and the eastern counties. Irish firms have a more balanced regional distribution, but with weaker employment growth. Within regions, there has been a decisive shift of enterprise and employment towards centres of 5,000 or more population. Enterprise promotion by County Enterprise Boards and by LEADER companies favours rural areas. A main conclusion is that while the aims of 'balanced regional development' policy may be achieved by clustering related economic activities in a limited number of key regional centres, rural development policy requires an explicit focus on the sub-regional level to respond appropriately to the needs of rural communities in different types of rural area.

Introduction

While the promotion of enterprise and employment outside of agriculture has long been a concern of rural policy, this agenda became of increasing importance in the mid-1980s when farming faced production restrictions and its labour outflow continued to threaten rural areas with depopulation. With the unprecedented growth in the economy generally over the past decade a related issue, that of the need for 'balanced regional development', has come strongly into focus.

This paper reviews the trends of the 1990s with particular reference to the experiences in generating enterprise and employment in rural areas. The first section deals with regional employment and income changes on the reasoning that such change reflects enterprise start-ups or expansion and, in turn, spawns opportunities for new businesses as real incomes rise. The second part analyses trends in enterprises and employment assisted by the mainstream promotion agencies – IDA, Enterprise Ireland, Shannon Development, and Údarás na Gaeltachta. The activities of the 'local' agencies, the County Enterprise Boards and LEADER Companies, in developing small businesses are then reviewed in the third part. A fourth and final section comments on the trends identified and points to some signposts for the further development of rural enterprise. We draw particular attention to the need to strengthen the role of the locally-based agencies in promoting enterprise, so as to ensure that rural areas are not overlooked in the efforts to develop regional 'centres of critical mass' as counter-magnets to Dublin and its surrounding counties.

Employment and Incomes: Regional Trends

In the five 'boom years' up to mid 2001 the numbers at work in the State increased by 458,000, or by approximately one-third. Two regions combined, Dublin and the Mid East, gained 44.9 per cent of this extra employment. In fact, these two regions, together with the West, accounted for 58 per cent of the increase. However, all regions shared the gains but the rates of employment growth were weakest in two of the three most rural regions – the Border and Midlands (**Table 1**).

In the third predominantly rural region – the West – the rate of expansion (+48.7%) greatly exceeded the national average increase but the West's exceptional performance is most likely concentrated heavily in Galway city and its commuting hinterland. This cannot be confirmed until the 2002 Census of Population figures become available. In the meantime reference to changes in the numbers registered at the 18 local employment offices within the West region for the period late 1995 to late 2000 shows that the greatest percentage reductions took place in Galway, Gort, Loughrea, Tuam, Castlebar and Ballinrobe, together with Westport and Achill. The lowest reductions were recorded in Boyle, Roscommon, Swinford, Castlerea and Belmullet.

Table1: Regional changes in employment, unemployment and in unemployment rates, April 1996 to June-August 2001

Region (NUTS 3)[1]	Employment	Unemployment	Unemployment Rates	
	% change	% change	1996	2001
Border	+24.9	-49.2	15.1	6.8
Midlands	+22.5	-48.8	10.4	4.3
West	+48.7	-45.0	11.5	4.5
BMW	+33.1	-47.7	12.6	4.6
Dublin	+34.5	-67.1	12.3	3.3
Mid East	+61.9	-53.2	10.4	3.5
Mid West	+37.9	-34.8	9.0	4.6
South East	+45.8	-51.0	12.5	5.0
South West	+57.6	-58.1	11.8	4.1
South and East	+34.9	-58.5	11.6	3.4
State	+34.5	-55.6	11.9	4.3

[1]NUTS is an acronym for the classification system of regions across the EU, based on different population sizes and levels of administration.

Source: Statistical Bulletin March 1999; Quarterly National Household Survey 2001

Assuming these data reflect the spatial patterning of employment change in the western counties, it has become increasingly unrealistic to refer to 'the West' as if it were a single undifferentiated economic entity. There are, clearly, differences between the Galway sub-region and that of mid-Connacht or east Connacht. In this regard, the recent consultation paper on the National Spatial Strategy (NSS) makes a

plausible case in suggesting that the Connacht counties comprise three 'functional areas' and part of a fourth functional area[5] (Department of the Environment and Local Government 2001: 14-15). Each functional area is considered to have common characteristics and problems, and contains an urban centre or number of centres which are important for the economic functioning of the area. The relationships between different types of places within a functional area are seen in the NSS paper as a basis from which the potential of the area might be developed (Department of the Environment and Local Government 2001:15).

Regional changes in the incomes of those at work show somewhat different trends from employment changes. **Table 2** shows the percentage increase, between 1991 and 1998, in the estimated annual income (household income) per person derived from employment. With these data a distinction is possible between the eastern and western counties of the Border Region.

Table 2: Estimated household income per person derived from employment 1998, percentage increases, 1991-1998

Region	Household employment income per person at work 1998[1] (£)	Index State = 100	% increase 1991-1998
Border (East)	22,625	93.4	58.6
Border (West)	22,004	90.8	52.8
Border (Total)	22,214	91.7	55.7
Midlands	21,456	88.6	56.9
West	22,146	91.4	68.7
BMW Region	22,027	90. 9	60.6
Dublin	27,298	112.7	60.0
Mid East	24,603	101.6	61.3
Mid West	23,771	98.1	57.6
South East	21.067	87.0	43.4
South West	23,660	97.7	54.3
South & East	24,962	103.1	54.9
State	24,221	100	56.3

[1]Defined as the aggregated 'compensation to employees and to self employed' divided by numbers at work (1998 figures for numbers at work are those for 1996)
Source: Household Incomes, Regions and Counties 1991 – 1998 (CSO 2001)

While the Dublin, Mid East and West Regions complement their higher rates of employment growth with relatively high rates of increase in worker incomes, the poor performance of the South East on this criterion is clearly evident. Similarly, percentage changes for the 1991-1998 period in the estimated disposable income per capita show that the lowest rates of change (below 60%) were in counties Carlow, Kilkenny, Tipperary South and Waterford, together with Kerry (**Table 1A,**

[5] The western area in Galway, the north-western area based around Castlebar and Ballina the 'west-border' linked to Sligo, and the 'north-midlands' (part of a larger area linked to Roscommon, Athlone, Longford and Mullingar).

Appendix). This picture is probably related to the structure and types of employment in the region, including its degree of reliance on a 'constrained' farming sector. Also, it will be recalled from Table 1 that the South East, as well as the Border region, had a comparatively high level of unemployment. It had also a poor rate of employment growth in State-sponsored enterprises, as well as a low percentage of employment in foreign-owned enterprise (**see Table 4A, Appendix**).

Employment in Rural Areas

Until the availability of returns from the 2002 Census there can be no definitive assessment of the intra-regional geographical dispersal of recent employment expansion. However, judged on the basis of trends between 1991 and 1996 – before the unprecedented growth of the late 1990s – the spatial distribution of job growth is likely to have been quite widespread, although the rates of increase will vary by degree of proximity to urban centres. The basic facts for the 1991-1996 period can be summarised as follows (See Commins and McHugh 1998; Commins and McDonagh 2000):

- The combined 155 Rural Districts in the State had a net loss of 22,400 persons at work in the primary sector, but this was offset by a gain of 100,230 workers in the other sectors
- Only one Rural District failed to record an increase in the numbers at work outside the primary sector
- However, a minority of Rural Districts mainly in Connacht (especially in east Connacht), and in the upland areas of other parts of the country, did not have sufficient non-farm employment growth to counter losses in the farm workforce
- Of the State's 3,421 District Electoral Divisions only 10 per cent failed to increase employment in the non-primary sectors (McHugh 2001: Volume 2, Map 75, p 69)
- 88 per cent of the District Electoral Divisions increased the number of self-employed outside the primary sector, over half of the Districts showing an increase in excess of 50 per cent (McHugh 2001: Volume 2, Map 88, p 82)
- When analysed by size-of-place, the numbers at work show increases for all categories of place, although places below 1,500 persons have the lowest rates of increase (**Table 2A, Appendix**).

In addition to these facts, reference may be made to the registrations for Value Added Tax (VAT) to provide an indication of new enterprise formation. Between 1997 and 2000 these increased by 19 per cent for the State as a whole. Data are not available for Rural Districts nor for NUTS 3 regions, but for 13 VAT Districts (mainly groups of counties). This information shows that over the 1997-2000 years VAT registrations increased in all Registration Districts throughout the country, with the rates of expansion varying from 13 per cent to 26 per cent (**Table 3A, Appendix**).

Promotion of Enterprise and Employment by Main Agencies

A complete analysis of trends under this heading would be a complex exercise as there are several sources of variation. These include distinctions between firms and

job numbers, foreign and Irish enterprises, gross and net changes, regions and sub-regions, and the different territories covered by the main enterprise promotion agencies – IDA, Enterprise Ireland, Shannon Development and Údarás na Gaeltachta.

The discussion here is confined to three basic questions: (i) How have the regions fared over time in the share-out of new grant-aided firms, and of the additional job gains? (ii) What have been the trends for centres of different population size, with particular reference to rural areas? (iii) What are the main distinguishing characteristics of current enterprises in rural areas? The analysis here is confined to gross changes, i.e., ignoring firm closures and job losses.

Table 3 shows, for the former planning regions (which pre-dated the NUTS 3 regions), their shares of new firms since 1981, grouped into three equal time periods. In regard to the distribution of new foreign enterprises, the East has gained substantially as the numbers of such enterprises increased. In the case of indigenous firms the regional distribution has remained much more balanced, although the East again increased its share, gaining from the Mid West especially.

Gross job gains are shown in **Table 4**. Employment gains from foreign firms are not as regionally concentrated as foreign firm numbers; nevertheless the East accounted for just under half of an expanding total during 1993 to 1998, compared to one-third in the 1980s. Gross job creation in indigenous firms also increased and so has the East share - from 33 per cent in 1981-1996 to 40 per cent in 1993-1998. However, the regional distribution does not show the degree of spatial imbalance evident in the job gains achieved by foreign firms.

Table 3: Percentage share of new firms (gross), by region[1]

Planning Region	Foreign Firms			Indigenous Firms		
	1981-86	**1987-92**	**1993-98**	**1981-86**	**1987-92**	**1993-98**
East	32	51	65	26	26	33
North East	4	4	2	6	7	5
South East	7	5	5	8	9	8
Midlands	7	4	3	5	4	6
South West	18	12	9	14	16	14
Mid West	11	12	6	15	16	11
West	9	7	7	14	13	13
North West	5	1	2	3	2	2
Donegal	6	4	1	9	8	7
Total	**100**	**100**	**100**	**100**	**100**	**100**
N	**461**	**458**	**567**	**3,830**	**3,317**	**2,833**

[1]Regions are 'planning regions' which pre-date the formation of NUTS 3 regions, and differ somewhat from them.
Source: Authors' calculations from data kindly provided by Forfás

Table 4: Percentage share of employment gains (gross), by region[1]

Planning Region	Foreign Firms			Indigenous Firms		
	1981-86	1987-92	1993-98	1981-86	1987-92	1993-98
East	33	34	49	33	34	40
North East	4	5	4	8	8	7
South East	10	8	4	12	12	10
Midlands	6	6	4	7	6	6
South West	14	14	13	12	11	11
Mid West	18	14	11	10	15	12
West	8	9	8	9	8	8
North West	2	3	2	2	2	2
Donegal	5	7	2	6	5	4
Total	100	100	100	100	100	100
N	45,045	49,493	80,530	63,974	71,112	77,802

[1]Regions are 'planning regions' which pre-date the formation of NUTS 3 regions, and differ somewhat from them.
Source: Authors' calculations from data kindly provided by Forfás

The main points of significance here are that foreign-owned enterprises have been the main generators of employment throughout the regions and now account for more than half of the jobs established in enterprises supported by State agencies. Dublin and the eastern counties have gained considerably from this trend (Table 4A, Appendix). Relevant data for enterprises supported by the main agencies for the period 1991 to 2000 may be summarised as follows:

- Permanent full-time employment in foreign-owned companies grew by 68 per cent (65,000 jobs), compared to 29 per cent for Irish companies (34,400 jobs)
- In Dublin and the Mid East the numbers of jobs provided by foreign firms more than doubled (from 31,800 to 72,600)
- The fastest growth sector has been the traded and financial services. These expanded employment by 50,000 (half of the total of the State-sponsored expansion), and with two-thirds of the jobs being provided by foreign firms.

With respect to the locational distribution of employment and enterprises within regions, we revert to the longer term series and confine analysis to the two 'expanding' regions. For these, shares of job gains and of new firms acquired (gross figures) are shown for centres over 5,000 population (Tables 5 and 6).

The contrasts between the locational patterns of foreign-owned and Irish-owned firms are clear. Within regions, the former have moved decisively in favour of centres of over 5,000 population and, correspondingly, so have their workforces. It will be noted that the omission of Dublin city and county from the Eastern figures, and of Galway city from the West, makes little difference to this general trend. Irish-owned firms on the other hand, show a more constant size-of-place distribution over time.

Table 7 provides a summary picture of size-of-place trends nationally, basically an overview of the geographical distribution of State-sponsored new enterprises and jobs. The shift to the higher order urban centres becomes clear-cut.

The outcome of these locational shifts in grant-aided enterprises is that in 1999 about one-sixth of firms assisted by the main State agencies were located in the more rural areas (places below 1,500 persons).[6] By contrast, over one-half were in the centres having more than 10,000 inhabitants. Employment trends mirror those for enterprises but, as firms in the urban centres are larger employers, they have a higher proportion of jobs relative to the number of firms (see Table 5A, Appendix).

Compared to urban areas, rural areas have fewer employees, a lower proportion of foreign-owned enterprises and, judged on 1999 performance, slower rates of firm formation. They also tend to have greater involvement with the traditional

[6] There were some 8,800 grant-aided enterprises (main agencies) in total in 1999. For 1,200 of these their addresses were insufficient to allocate them to a size-of-place category and they are omitted from analyses here. They accounted for less than 3% of total enterprise employment.

manufacturing sectors, such as food, wood, textiles, metals and engineering. Non-rural firms tend to be in the higher technology engineering and internationally traded services (Fitzpatrick Associates 2000: 47).

Table 5: Percentage share of new firms (gross) in grant-aided industry in places of over 5,000 population, in selected regions[1], 1981 to 1998

Region	Foreign-owned firms			Irish-owned firms		
	1981-86	1987-92	1993-98	1981-86	1987-92	1993-98
East	50	84	88	52	49	50
West	47	65	88	31	38	55
(Excluding Galway City)	(10)	(46)	(40)	(19)	(20)	(17)

[1]Regions are 'planning regions' which pre-date the formation of NUTS 3 regions, and differ somewhat from them. In this table the East excludes Dublin City and County.
Source: Derived from data provided by Forfás

Table 6: Percentage share of employment gains (gross) in grant-aided industry in places of over 5,000 population, in selected regions[1], 1981-1998

Region	Foreign-owned firms			Irish-owned firms		
	1981-86	1987-92	1993-98	1981-86	1987-92	1993-98
East	62	76	87	58	53	49
West	56	68	82	51	41	55
(Excluding Galway City)	(19)	(48)	(48)	(35)	(27)	(32)

[1]Regions are 'planning regions' which pre-date the formation of NUTS 3 regions, and differ somewhat from them. In this table the East excludes Dublin City and County.
Source: Derived from data provided by Forfás

Table 7: Trends in location patterns of (gross) new firms and job gains 1981 to 1998 by size of place (%)

Size of Place	New Firms			Job Gains		
	1981-86	1987-92	1993-98	1981-86	1987-92	1993-98
>1,500 persons	42.6	39.1	34.4	23.8	22.1	16.0
1,500 – 2,999	5.6	3.7	3.0	6.2	6.3	4.2
3,000 – 4,999	6.1	6.0	3.9	6.6	7.2	5.1
5,000 – 9,999	33.6	37.1	39.6	38.0	41.0	41.6
10,000 +	12.1	14.0	19.1	25.4	23.3	33.0
Total	100	100	100	100	100	100

Source: Authors' additions to, and analyses of data provided by Forfás

Enterprise Promotion by Locally-based Agencies

So far, the analyses here have shown that, while all regions have benefited from the economic boom of the 1990s, there has been a clear tendency for enterprises and

jobs supported by the mainline State agencies to become located in the eastern counties and, within regions, in the larger centres of population. The question then arises: can the other public support systems balance this trend by assisting the establishment of enterprises and jobs in the more rural areas? Here, we must refer to the experience of the County Enterprise Boards (CEBS) and of the LEADER programme. (The area based partnerships are omitted as they are located in a limited number of areas). Although it is not possible to answer the question fully without a time-consuming county by county analysis of new job locations the evidence suggests that the activities of the CEBs and, expectedly, of the LEADER groups have a rural bias-even if the scale of these activities is relatively low. Here too, it has to be borne in mind that small enterprises may be established or extended without grant aid.

County Enterprise Boards

The CEBs commenced activities in 1993/94, having been set up to cater specifically to 'micro-enterprises' of up to 10 employees. By 2000 the 36 Boards (cities and some other administrative units have separate Boards from the counties) had approved a total of 13,934 projects, 34.7 per cent of which were in the Border-Midland-West Objective I Region. CEB-assisted new enterprises and expansions resulted in the creation of 21,537 full-time jobs and of 4,795 part-time jobs.

Table 8 shows that when counties are classified by the degree of 'rurality' there is a clear bias in favour of the more rural counties as regards the distribution of CEB grants and employment created. These counties (the 'high rurality' group in the Table), with 16 per cent of the population, accounted for approximately 25 per cent of grants drawn down and jobs provided. The exclusion of Dublin city and county from the analysis (where 13.7% of jobs were created) does not alter very much the rural bias in job distribution.

Table 8: Grants drawn down and jobs created in enterprises assisted by County Enterprise Boards, 1993-2000

	Degree of Rurality[1]				
	High	**Medium**	**Low**	**Total**	**Numbers**
Population 1996 (%)	16.0	26.9	57.1	100	3,626,087
Grants drawn down (%)	25.1	30.6	44.3	100	£84,448,600
Jobs created (%)	24.5	32.9	42.6	100	21,357
Grants per 1,000 population (£)	36,473	26,495	18,070	-	23,289
Jobs per 1,000 population	9.1	7.3	4.4	-	5.9
Jobs per 1,000 population excluding Dublin city & county	9.1	7.3	6.1	-	7.2

[1]Counties, including cities where relevant, classified by the percentage of persons living outside centres of 3,000+ population; high = above 75%; medium = 50-75%; low = below *50%*
Source: Authors' calculations based on data provided by the Department of Enterprise, Trade and Employment

This information does not tell us how projects and jobs are distributed within counties but at least the greater per capita availability of CEB grants in the more rural counties offers more prospects for rural entrepreneurs to set up small-scale businesses.

LEADER II Groups

The LEADER programme is an EU rural development initiative established in the early 1990s whereby 'local action groups' are part-funded to develop their areas in accordance with their own plans and priorities. Each group invites local applications for development aid on the basis of criteria agreed with the Department of Agriculture, Food and Rural Development. Groups are representative of key public sector agencies and local communities.

A second phase of the LEADER programme ran from 1995 to 1999. LEADER II, as it became known, involved 34 local groups and a public expenditure of £92.8m. The following comments apply only to the second phase[7].

LEADER II had a public expenditure of £81.7m on 9,595 projects, creating 8,357 full-time job equivalents distributed over several categories of activity, excluding administration. These categories and their specific expenditures and project numbers are listed in **Table 6A, Appendix**. Three categories are of relevance here: (i) Rural Tourism, (ii) Small Firms, Craft Enterprises and Local Services, and (iii) Agriculture, Forestry and Fishing. These accounted for 50 per cent of public expenditure and 45 per cent of projects.
The performance of LEADER II groups under the three headings are shown in **Table 9.**

[7] The statistics presented here on LEADER are the authors' re-assembly of statistics provided by the groups for the LEADER II ex post evaluation report prepared for the Department of Agriculture, Food and Rural Development by Brendan Kearney and Associates (2000).

Table 9: Achievements of LEADER II in selected categories of activity

Numbers of:	Rural Tourism		Small Firms/Services		Agriculture, Forest Fishing	
	Number	%	Number	%	Number	%
Capital grants paid	1,099	(42.9)	1,012	(39.5)	453	(17.7)
Projects	2,375	(54.9)	1,305	(30.2)	644	(14.9)
Jobs created[1]	857	(26.9)	1,421	(44.6)	908	(28.5)
Jobs sustained[1]	567	(17.1)	1,902	(57.3)	849	(25.6)
New enterprises	409[2]	(28.5)	833	(58.0)	193	(13.5)

Note: Percentages add on rows
[1]Full-time equivalents
[2]New entrants
Source: Authors' analysis of data in the LEADER II ex post evaluation report

Of the total of 4,324 projects undertaken by the groups, 55 per cent were in rural tourism but the numbers of jobs created and sustained and new enterprises established in this sector were comparatively low – 22 per cent and 29 per cent respectively. There were also relatively few jobs and enterprises created in natural resources development, partly because certain restrictions were placed on LEADER from operating in this sector. The Small Enterprise ('SME') sector was the most productive in terms of new businesses set up and employment provided.

Although LEADER is a dedicated rural development programme it is relevant to ask whether the balance of its activities geographically favours enterprise development in the more rural areas. This, in fact, would appear to be the case. In parallel with the earlier discussion on the CEBs LEADER groups were classified into three groups, again on the basis of their degree of rurality. This time, however, the classification is made with reference to the population densities of their catchment areas, this being the only means of categorisation possible from the data provided by the groups.

There is a clear gradation from the 'highly rural' to the 'low rural' in the amount of funds per head of population allocated to the LEADER groups (**Table 10)**. Correspondingly, there are clear per capita differences between the groups in their expenditures and numbers of projects, except in the case of activities under Agriculture, Forestry and Fishing. Seemingly, tourism and small business development offer most potential to groups in areas of low population density areas, where natural resources tend to be poor.

Evidently, compared to the 'less rural' areas, the 'more rural areas', while getting smaller absolute amounts of funds undertake more projects per head of population but, judged by expenditure per project, the projects are smaller in scale (**Table 10)**.

Table 10: Fund allocations, expenditures and projects in 34 LEADER II Groups

Groups by degree of rurality	Allocation per capita[1](£)	Expenditure per capita[1](£)			Projects Per 1000 capita[1]			Expenditure (£000) per project		
		Tour[2]	SMEs[3]	AFF[4]	Tour[2]	SMEs[3]	AFF[4]	Tour[2]	SMEs[3]	AFF[4]
High (8)	59	12.9	10.4	2.4	2.1	1.2	0.3	6.0	8.6	7.9
Medium 18)	41	9.2	5.7	3.8	0.9	0.6	0.3	10.2	10.4	13.4
Low (8)	31	6.7	3.7	2.5	0.5	0.4	0.2	12.5	10.1	12.0

[1]Per head of population, [2]Tourism,
[3]Small Firms, Craft Enterprises & Local Services, [4]Agriculture, Forestry, Fishing
Source: Authors' analysis of data in the LEADER II ex post evaluation report

With regard to the absolute expenditure figures, there was little difference between the groups in the percentages spent on tourism (about 50%). The main differences were that, as the degree of rurality increased, so did the proportion of expenditure spent on small businesses (from 28% to 40%), while the percentages devoted to natural resources declined (from 20% to 10%).

Again, it is relevant to ask whether LEADER, as a rural development programme, has achieved a wide geographical distribution of projects within group catchment areas. However, data on this point are limited. The LEADER II evaluation suggested, on the basis of a number of case studies, that there were county differences but that there was ample evidence of concentration around the county towns (Brendan Kearney and Associates, 2000: p 79). This is perhaps understandable given the concentration of population and, possibly, of economic opportunity in those centres. Extensive areas were without any projects. Apparently, a more dispersed pattern was achieved only in those areas where a deliberate strategy of spatial targeting was adopted.

Comments and Conclusions

The foregoing analyses demonstrated that enterprise and employment expansion during the economic upturn of the 1990s was driven strongly by foreign investment. Furthermore the pattern of expansion accentuated the regional imbalances in the distribution of State-supported companies and jobs. The rapid growth of 'new economy' internationally traded and financial services was an important element in the trend towards spatial concentration. Most of this sector's businesses and employment located in the Dublin region. Taken together with developments in the agri-food sector and in tourism, these trends in manufacturing and services illustrate how employment and enterprise in rural areas are now influenced directly or indirectly by the degree to which the Irish economy is integrated with the global marketplace.

Global Forces and Local Responses

Achieving a more regionally balanced distribution of economic activity in an environment of globalisation will not be easy. Inherent in the ideology of globalisation are powerful forces which place at the top of the economic agenda such concepts as

competitiveness, productivity, deregulation, minimalist state intervention and the free movement of products and services. Policies tend to focus on enhancing sectoral economic efficiencies and performance nationally, rather than responding to the needs of particular types of regions. 'Old economy' enterprises or those depending on traditional labour intensive sub-supply industries are threatened by the opportunities for capital to relocate to low-wage economies[8].

On the other, hand there are counter-trends which appear to contradict the macro-scale processes. In advanced economies medium, small, and now micro-scale businesses are important job creators (Bryant 1995: 256). Apart from being fostered through a public policy emphasis on entrepreneurship and the development of indigenous resources, rural enterprises can capitalise on structural changes in the mainstream economy, e.g. the tendency for large plants to subcontract or externalise some functions, such as transport or delivery. In particular, rural enterprises can benefit from the development of niche markets, customised products, and consumer preferences for products of traceable local origin and identity. Modern communications technologies facilitate access to information. A heightened awareness of the environmental value, physical attractiveness and improved quality of life in many rural areas, together with increased physical mobility, make rural settings more attractive than formerly for entrepreneurs and employees (McDonagh and Commins 1999).

Urban Clusters and Rural Areas

In practice, and returning to the specifics of the Irish situation, it seems necessary to make a more explicit distinction than evident in the policy discussions to date. This is between achieving a better regional balance of economic activity at national level and promoting enterprise and job creation at sub-regional level. The former could be achieved by developing a limited number of regional centres as counter-magnets to Dublin and the East, and indeed current enterprise policy would appear to be based on clustering related activities to achieve critical mass in key regional centres, with these locations seen as the drivers of regional development.

In an increasingly competitive economic environment, the need for strategic spatial clustering of enterprise development has to be acknowledged. But it cannot be assumed that the benefits will automatically or rapidly spread to the more rural hinterlands. In this context there is a lesson to be learned from the development of tourism – a sector which has the potential to benefit widespread geographical areas. Its rapid growth over the 1990s, when overseas visitor numbers doubled to over 6m, obscured the fact that there was hardly any change in the percentage share of overseas tourist revenue going to different locations. The same few areas captured most of the spend[9].

[8] Seemingly, multinational companies are quite selective in this regard. Recent restructuring of a firm in Castlebar, for example, resulted in the transfer of some jobs outside the country and the importation of higher skill operations to the Castlebar plant.

[9] Dublin, Cork/Kerry, Galway, and Clare/Limerick combined have consistently earned 66-70% of the rising overseas tourism revenue since 1991. Dublin's share has remained at 30% (Bord Fáilte, Tourism Facts)

It no longer makes good sense to draw sharp distinctions between urban and rural economies. Urban-rural partnership and complementarity are now the preferred terms. Thus, there is need to ensure that development strategies based on functional areas created around an urban network do not overlook the special circumstances of the more rural locations. Many of these and, indeed, rural towns are based on 'old economy' employment structures which are increasingly under threat. This is one context in which the concept of 'rural proofing' proposed in the White Paper on Rural Development would have application. Sectoral policies, the White Paper states, will have a regional and rural focus to ensure that policy implementation represents appropriate responses to the needs of rural communities. 'Rural proofing' means that administrative procedures will be available to ensure that policy makers are aware of the likely impacts of proposals on rural communities. In places where State-supported enterprises cannot be located then ready access to other places becomes the key component of development strategy.

In this regard the guidelines provided for the County Development Boards in preparing 10-year county strategies for economic, social and cultural development (Department of the Environment and Local Government 2000:18) recommended that each strategy have an explicit sub-county element, including consideration of different development objectives and priorities for different types of area in the county. These strategies will be published in the coming months and it is to be hoped that they will follow these guidelines.

The data provided here on the record of the CEBs and LEADER demonstrated the potential of these locally-based agencies to foster small scale enterprise and employment in rural areas. As the mainline agencies restructure their organisations to better support balanced regional development, it would seem essential to strengthen the role of the locally-based agencies so that there is no undue discrimination against rural areas in the development of larger urban centres in the regions.

Signs of Rural Demographic Renewal

Despite the tendency towards regional concentration, the demographic data summarised here for the years 1991 to 1996 indicated that there is potential for quite widespread population renewal in rural areas. The numbers at work (including self employed) outside of agriculture increased in the great majority of rural areas, even if these increases were not of sufficient scale to effect an upturn in population in these areas. Census data however, relate to where people live and not to where they work and the larger centres of population increased their numbers at work at a faster rate than the areas below 1,500 persons. It was also noted that as far as the location of new firms and jobs is concerned, the centres of over 5,000 inhabitants – collectively at least – have become increasingly attractive. There are 52 such centres in the State, excluding the five main urban centres, and thus are within commuting reach of most rural workers. About 80 per cent of the rural population live within reasonable driving time of one or more of 13 larger urban centres (Commins 2000).

Studies in the UK (e.g. Keeble and Tyler 1995) have found that one major and distinctive influence underpinning small firm development in rural areas has been the proliferation of market niches nationally as a consequence of rising consumer

incomes. These enterprises were associated with new and emerging markets – especially in services – and with exploiting the competitive advantages arising from greater labour force stability, quality production, lower costs of premises, and the improved accessibility of many rural areas to modern telecommunications, good transport and financial services. Secondly, rural settlements have been able to attract a relatively high proportion of 'incomer' entrepreneurs seeking a desirable residential environment. These may well bring with them relevant employment experience, useful personal contacts, access to business networks and awareness of new evolving market opportunities.

In Ireland's case, with its smaller home market and limited urban network, particular problems centre around inadequacies in infrastructure and related access costs[10]. In much of the western region the lack of a critical mass of demand for high capacity broadband facilities discourages their supply, leading to a 'chicken and egg' situation in terms of market entry and overall infrastructural development (Enterprise Ireland 2001: 14).

The important role of 'incomers' in new enterprise start-ups is confirmed by studies in a number of Irish locations (McDonagh and Commins 1999; Sweetnam, 1998; Cawley et al. 1998). Incomers to local areas included 'non-natives' and 'returned migrants'. They accounted for 40 per cent of the small businesses established with grant aid over a 5-year period. More than half of a sample of business founders in tourism, crafts, speciality goods and organic farming (combined) came from outside the relevant local
area. Clearly, policy should seek to increase the attractiveness of living conditions in rural areas for potential incomers, as a means of expanding the local pool of entrepreneurs. In this way the promotion of rural-based enterprise becomes part of an integrated approach to rural development at sub-county level.

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[10] In Donegal, for example, the costs of providing the necessary level of access facilities for the internationally traded services sector are considered to be up to three times greater than those in Dublin/East (Enterprise Ireland 2001: 14)

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Appendix Tables

Table 1A: Estimated percentage increases in categories of household income, 1991 to 1998

Counties & Regions	Household income per person at work[1]	Disposable household income per capita[2]
Cavan	58.2	63.3
Donegal	53.4	63.1
Leitrim	70.0	63.5
Louth	51.1	64.4
Monaghan	49.6	62.7
Sligo	64.8	69.4
Border	55.7	64.3
Laois	54.3	64.1
Longford	56.5	65.0
Offaly	58.9	64.5
Westmeath	57.6	66.5
Midland	56.9	65.2
Galway	64.4	67.2
Mayo	75.0	65.7
Roscommon	71.0	63.8
West	68.7	66.5
Kildare	73.2	75.5
Meath	49.1	61.3
Wicklow	59.0	63.2
Mid East	61.3	67.5
Clare	58.9	64.5
Limerick	59.2	69.6
Tipperary North	50.5	62.5
Mid West	57.6	66.9
Carlow	39.7	52.2
Kilkenny	45.7	59.0
Tipperary South	35.7	54.5
Waterford	44.5	57.2
Wexford	48.3	60.8
South East	43.4	57.4
Cork	56.3	62.6
Kerry	46.1	55.6
South West	54.3	61.0
State	56.3	64.7

[1]Defined as the aggregated 'compensation to employees and the self-employed' divided by numbers at work (1998 figures for numbers at work as those for 1996)

[2]Aggregated disposable income divided by population

Source: Derived from Household Incomes, Regions and Counties 1991-1998 (CSO 2000)

Table 2A: Percentage change in numbers at work by size of place[1] in two groups of regions, 1991-1996

Size of Place	Western/North-Western[2]			Eastern/South-Eastern[3]		
(persons)	Males	Females	Total	Males	Females	Total
100,000 +	–	–	–	8.2	21.1	13.5
10,000-99,999	16.0	31.8	22.8	14.4	33.2	21.4
5,000-9,999	10.1	32.3	18.7	16.1	41.1	25.0
3,000-4,999	16.6	31.5	22.3	11.9	28.0	17.5
1,500-2,999	5.4	19.3	10.5	14.2	26.6	18.7
Under 1,500	3.0	22.5	8.7	6.4	23.8	11.5
Total	5.2	25.1	11.6	8.8	24.4	14.5

[1] Size of place as categorised at 1991 Census
[2] 11 'Western' counties
[3] 15 'Eastern' counties'
Source: Census of Population

Table 3A: Changes in total live VAT Registrations, by VAT District, 1997 and 2000

VAT District	**1997**	**2000**	**Increase**	**% Increase**
Athlone	5,192	6,094	902	17.4
Castlebar	3,946	4,598	652	16.5
Cork	17,525	20,909	3,384	19.3
Dublin	71,042	85,335	14,293	20.1
Dundalk	7,063	8,507	1,444	20.4
Galway	7,235	8,525	1,290	17.8
Kilkenny	5,812	6,890	1,078	18.5
Letterkenny	4,192	5,278	1,086	25.9
Limerick	10,735	12,479	1,744	16.2
Sligo	3,277	3,821	544	16.6
Thurles	2,745	3,198	453	16.5
Tralee	4,446	5,254	808	18.2
Waterford	5,284	5,983	699	13.2
Wexford	4,717	5,702	985	20.9
Total	**153,211**	**182,573**	**+ 29,362**	**19.2**

Source: Data provided courtesy of Office of Chief Inspector of Taxes

Table 4A: Employment changes in State-supported enterprises in NUTS 3 Regions, 1991-2000

Regions (NUTS 3)	1991-2000: Per cent increase		Per cent in foreign-owned	
	Foreign-owned	Irish-owned	1991	2000
Border	11.8	11.2	39.0	64.4
Midland	-4.1	38.2	53.6	44.5
West	57.4	32.8	51.5	52.9
Dublin	120.0	40.7	44.2	55.3
Mid-East	165.5	42.2	38.6	54.0
Mid-West	63.0	17.3	58.4	65.1
South-East	13.9	9.0	38.9	39.9
South-West	63.5	29.6	45.2	51.0
Total	**68.4**	**29.2**	**45.2**	**51.8**
n=	**163,658 (2000)**	**152,301 (2000)**	**97,165**	**163,658**

Source: Forfás Annual Employment Survey 2000

Table 5A: Grant aided enterprise[1] by size of settlement, 1999

Size of place	Enterprises		Full-time jobs	
	No.	%	No.	%
>1,500 persons	1,238	16	38,686	14
1,500 – 2,999	520	7	13,406	5
3,000 – 4,999	482	6	18,990	7
5,000 – 9,999	1,088	15	39,180	15
10,000 +	4,257	56	172,378	61
Total	7.585	100	282,640	100

[1]All grant-aided enterprise minus those 'unassigned' because their locations were unknown

Source: Authors' analysis of Forfás data

Table 6A: Expenditures and Projects by LEADER II

	Public Expenditure		Projects	
	£m	%	No	%
Animation & capacity building	13.801	16.9	120	1.3
Other technical support	4.534	5.6	1,106	11.5
Training & recruitment	11.536	14.1	2,299	24.0
Rural tourism	20.819	25.5	2,375	24.8
Small firms, craft enterprises & local services	12.930	15.8	1,305	13.6
Agriculture, forestry & fishing	7.401	9.1	644	6.7
Environment & living conditions	10.642	13.1	1,746	18.2
Total	81.663	100.0	9,595	100.0

Source: Authors' analysis of data compiled for LEADER II ex post evaluation (Brendan Kearney and Associates 2001)

Hitting a Moving Target – Visitors to Rural Ireland

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Not available at time of printing.

Consumers and Providers Perception of Quality Rural Tourism
(Case Study Evidence from North Mayo)

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Abstract

The importance of quality has remained a central argument for rural tourism providers and promoters throughout Ireland, stressing the fact that quality is a means by which rural tourism providers can maintain a competitive advantage. This not only distinguishes them from competitors, but is also viewed as a quality indicator for the consumer. Little research has been conducted on the quality of the tourist's experience, in particular excellent quality. This paper reports on the results of a qualitative and quantitative research study on perceived quality between rural tourism providers and consumers in the north Mayo region. Gap analysis and service quality models were used to determine perceptions of excellent quality rural tourism. Data were drawn from rural tourism accommodation providers and consumers surveys conducted in the north Mayo region between June and October 1999.

Key words: Rural tourism, provider, consumer, excellent quality.

Background to Study

Towards the end of the 1980s rural tourism co-operatives were established to assist the development and marketing of rural tourism product and service. During the mid 1990s' concerns were expressed among providers and tourism personnel that the quality of rural tourism was in decline. At the time there was limited reliable evidence available to support this. However, consumer surveys conducted by several rural tourism co-operatives between 1995-1997 revealed that the quality of the product was inconsistent and in decline.

The deficit of empirical work regarding provider and consumers perception of quality rural tourism prompted the undertaking among rural tourism providers and their consumers in the north Mayo region.

Aim of this study

From the outset, the main objectives of the study were;
a) to identify the main components of a rural tourism experience and
b) to establish the quality of these components as perceived by rural tourism providers and their consumers.

The shared role between rural tourism providers and consumers in the rural tourism experience formed the cornerstone of this study.

Methodology

Between November 1998 and June 1999 in depth focus group studies, as well as questionnaire surveys were conducted among ten accommodation providers in the north Mayo region, all of whom had been providing rural tourism for at least five years. All of the accommodation which they were providing was Bord Fáilte quality approved and ranged from one to four star self-catering, to bed and breakfast, guesthouses and farmhouse accommodation. All of the providers were members of the Moy Valley Rural Tourism Co-operative.

Before determining quality rural tourism, it was necessary to establish what these providers perceived as being the important components for the rural tourism experience.

Following in-depth focus group work, the providers agreed that smallness of scale was an obvious parameter. Closeness to nature, absence of crowds, quietness, along with personal contact and the antithesis of urban anonymity was also important. Further discussion identified several components, which they believed were essential for rural tourism. It was only the components over which these providers had control over that were given a quality rating.

The components identified fell into four categories. They were Information, Accommodation, Visitor Services and Hospitality. The controllable components were identified as follows:

1. Information

- Information on the area.
- Guiding the visitor from their home or point of entry, to the region.
- The holiday information available to visitors while on holiday.
- Tourism information points in the region.

2. Accommodation

- Choice
- Standard
- Directions
- Description.

3. Visitor Services

- The Environment.
- Customer Service.
- Range of Activities.
- Range of Visitor Attractions
- Access/Road Signage
- Availability /Choice of Food.
- Culture and Heritage.
- Value for money

4. Hospitality

- Friendliness of the local community towards visitors.
- The opportunity for visitors to interact with the host/family.
- The opportunity for visitors to interact with the local community.

Understanding Quality

It must be realised that quality is a particular subjective notion and there is no generally agreed definition of what constitutes quality. However, there are a number of indicators that can help characterise it. There are those relating to attributes that are externally approved and controlled, for example certification or specification and, those which are more subjective in nature in that they are experiential and mean different things to different people e.g. being associated with or being attracted to a place. The best assessor of quality is the consumer whose own experiences, beliefs and motivations, all of which influence the service expectation. However, there is often quite a difference in expectancy between the consumer and the service provider. This is putting the challenge to rural tourism providers because the precise attainment of quality and its perception by the consumer is difficult to ensure. Nevertheless, the perception of a service or product quality can be a significant competitive edge, with each service and product having it's own unique characteristics.

How Quality is Determined

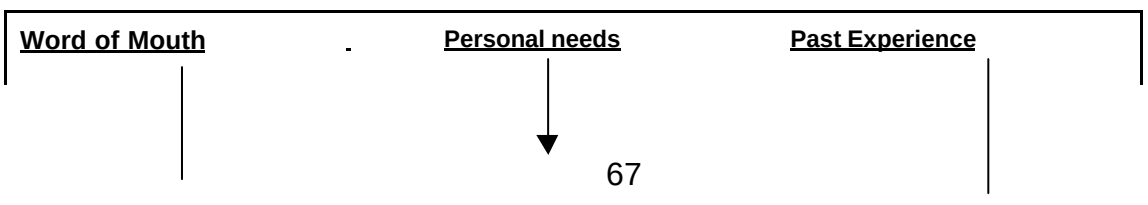
There are four essential features that can assist in determining the quality of rural tourism.

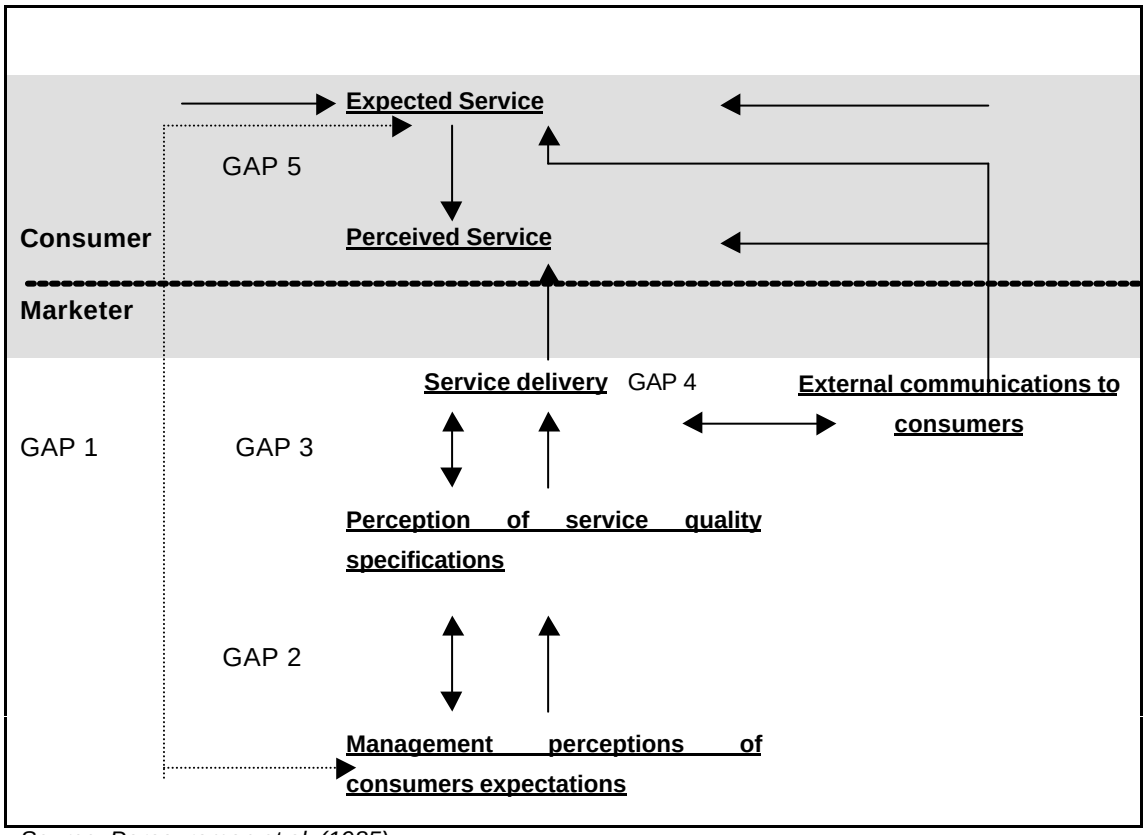
1. Tangibles – physical facilities, equipment, and appearance of personnel
2. Reliability – ability to perform the promised rural tourism offering, dependably and accurately
3. Responsiveness – willingness to help and provide prompt service
4. Empathy – access, communication and understanding.

Prior knowledge and what the consumer's own personal needs are, as well as these four features will determine the customer's perception of quality. *It is the difference between their expectations and perceptions of rural tourism that will determine their perception of quality.*

The PZB model or 'gap theory' drawn up by Parasuraman et al. (1985) is a straightforward and appropriate way of identifying quality differences between providers and consumers. There are five possible service gaps that can exist, all of which are illustrated in Figure 1 below. This study focused on the fifth gap, which can occur between customer's expectation and the perceived service. The expected service is based to a large degree on what consumers' know already, word of mouth and past experiences.

Figure 1.PZB Service Quality Gap Model (Modified)





Source: Parasuraman et al. (1985).

Methodology

Between June and October 1999 a total of 250 rural tourism consumers were surveyed all of whom had stayed in the North Mayo region for at least five days. Consumers included families, couples, those visiting friends and relatives and those holidaying alone. Consumer questionnaire packs were provided in English, German, and French.

A similar questionnaire was circulated among ten rural tourism providers. Both groups were asked to rate their perceived quality on all of the rural tourism components discussed earlier. Each component was given a quality rating scale where 1 = 'excellent', 2 = 'very good' 3 = 'good', 4 = 'poor' and 5 = 'undecided'.
The responses from both these questionnaires provided an opportunity to compare their perceptions of quality rural tourism in the region. For the purpose of this study, quality was understood to be the degree of excellence offered.

Quality Rural Tourism: Do Providers and Consumers Perceptions Differ?

From the outset it is important to note that these findings represent the views of providers and consumers in the North Mayo region and do not make generalisation for other rural tourism areas in Ireland.

1. Information

1= ‘Excellent Quality’, 2= 'Very Good Quality', 3= 'Good Quality', 4= 'Poor Quality' and 5 = 'Undecided'.

Rural Tourism Features	Average response Providers	Average response Visitors
♦ Guiding the visitor to the area	2.70	3.20
♦ Information given while on holiday	1.78	2.60
♦ The tourism information points	2.60	2.70
♦ The information on the area	1.67	2.80

Overall quality rural tourism information was available in the region but it fell short of excellent quality. In general the providers perceived information as being of better quality than their consumers, more over in regard to general information on the region and information given on holiday. Quality tourism information points and guiding the visitor from their point of entry into Ireland, in the case of overseas tourists, and from the nearest large town for domestic tourists was perceived as being less than excellent.

2. Accommodation

1= ‘Excellent Quality, 2= 'Very Good Quality', 3= 'Good Quality', 4= 'Poor Quality' and 5 = 'Undecided'.

Rural Tourism Features	Average response Providers	Average response Visitors
♦ Choice	1.67	1.90
♦ Standard	1.44	1.90
♦ Directions	1.89	2.52
♦ Description	2.00	2.20

While both groups perceived the area as offering quality accommodation the actual quality rating is perceived differently. In general providers perceived accommodation as being higher quality ranging from very good to excellent quality than their consumer. Consumers on the other hand rated accommodation as falling short of excellent quality, with the choice and standard of accommodation offering better quality than either the description of or directions to accommodation.

3. Visitor Services

1= ‘Excellent Quality’, 2= 'Very Good Quality', 3= 'Good Quality', 4= 'Poor Quality' and 5 = 'Undecided'.

Rural Tourism Features	Average response Providers	Average response Visitors
♦ The Environment.	1.90	1.80
♦ Customer Services	1.80	1.80
♦ The Range of Activities	2.30	2.50
♦ The Range of Visitor Attractions	1.90	2.20
♦ Access/ Sign Posting	2.70	2.60
♦ The Availability and Choice of food	1.56	2.20
♦ The Culture and Heritage	2.00	2.10
♦ Value for Money.	1.67	2.00

Similar quality ratings were given to visitor services in the north Mayo region, with the exception of the range of visitor attractions and the choice and availability of food in the region. Value for money was also perceived differently with consumers rating it less than their providers. While both groups rated the environment, culture and heritage, the environment, range of activities, access and signposting and visitor attractions in the region as offering quality, all of theses components were perceived as falling short of excellent quality.

4. Hospitality

1= ‘Excellent Quality’, 2= 'Very Good Quality', 3= 'Good Quality', 4= 'Poor Quality' and 5 = 'Undecided'.

Rural Tourism Features	Average response Providers	Average response Visitors
♦ The friendliness of the local community	1.89	1.55
♦ Interaction with the host family	1.78	1.50
♦ Interact with the local community.	2.80	2.30

Hospitality was identified as an important component of rural tourism and elements comprising the quality rural tourism experience. The quality friendliness of the local people towards tourists and their interaction with the product providers was rated much higher among consumers than that of their hosts. While both groups perceived the quality of the actual tourist interaction with the local community as being good, it fell of short of excellent.

Conclusion

The findings from this study suggest that rural tourism providers in north Mayo region are quality focused. The overall positive quality rating among visitors is a strong support base from which they can continue to provide a quality focus to their product and service.

The real challenge that is presented to these providers is to offer excellent quality across all the rural tourism components over which they have control. In light of the growing competition within the sector they must strive towards providing excellent quality information, accommodation, visitor services and hospitality, in all respects. The findings from this study suggest that the attainment of consistent excellent quality rural tourism is well within their grasp.

Excellent quality can be achieved bearing in mind the following:

- Understanding the rural tourism market
- Providers familiarising themselves with exactly what the consumer want
- Each formulating a simple clear strategy for quality that is understood and agreed by all those involved in the business
- being realistic about what they can deliver to the customer
- linking with other quality focused rural tourism providers to broaden the appeal of rural tourism
- develop a quality image e.g. branding
- having a system for monitoring quality in place

A focus on excellent quality can guide providers in ensuring consumer satisfaction, which in turn can lead to greater numbers of referred, recommended and repeat visitors.

In light of the current competitiveness in the Irish tourism industry rural tourism must aim for excellent quality and concentrate on attracting high yield business. In terms of quality the rural tourism sector needs to consolidate its current position. Providers who have a commitment to excellence will achieve competitive advantage and remain on the cutting edge of tourism.

Acknowledgements

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Structures and Processes in Rural Tourism

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Abstract

The dominance of agriculture as the main driver of economic activity must be shared with a more diversified rural economy. Rural tourism offers potential as an economic instrument. It is a growing sector of the world's fastest growing industry – tourism. The majority of small and medium sized enterprises (SME's) in the EU are in tourism but because of the difficulties in identification and measurement, rural tourism businesses work in a policy vacuum. A number of authors have pointed to the universal lack of policy for the planning, management, marketing and integration of this growing dynamic sector. In the absence of policy, rural tourism, must at minimum, address the need for organisational structure and process. Although a rapidly growing activity, it is highly fragmented. To become a rural tourism destination, not just a stop off point, structured networks and collaboration agreements are essential. Creating inter-community co-operation and collaboration is a complex process requiring education, training, capacity building and facilitation.

Introduction

Since the 1970s rural economies have experienced major economic, social and environmental changes. The dominance of agriculture as the main driver of economic activity is and will for the future be shared with a more diversified rural economy. This provides the impetus for the design and delivery of a range of new products and services in rural areas ranging from rural tourism to organic farming, specialist food products, crafts and many more.

The role of rural tourism as a potential economic tool is well recognised. It is estimated that tourism in rural areas makes up 10-20% of all tourism activities and a EuroBarometer (1998) survey report shows that 23% of European holidaymakers choose the countryside as a destination every year. The majority of small and medium size enterprises (SMEs) in the EU are in tourism and employ less than five people. Many are comprised of two family members. Rural areas provide a special appeal to tourists because of the mystique associated with the rural environment, its distinct culture, history, ethic and geographic characteristics. Rural tourism is a growing sector of the world's fastest growing industry – the tourism industry. It offers many benefits to the rural community. It can be developed locally in partnership with other small business, local government and other agencies. Its development is not dependent on outside firms or companies and their decisions on whether they want to be in the area or not. When considered against other economic development such as manufacturing, rural tourism is less costly and easier to establish. It works well with existing rural enterprise and can generate important secondary income on farms. While airlines and railways, with their national and international linkages, may provide the best of public transport, and global hotel groups give the highest standards of branded accommodation, it is very often the rural area and its

attractions, that delivers the bulk of the visitors' experience and defines their perception of the destination.

Factors reducing the effectiveness of rural tourism as a rural development instrument include:

- Limited number of entrepreneurs in rural areas
- Conservative nature of some investors
- Short supply of spare capital in rural areas
- Small scale and dispersed nature of the industry involving many micro enterprises
- Need for co-ordination, co-operation and partnership with government agencies to develop a "destination" as distinct from a 'stop-off' point' for an hour or a day
- Fragmentation in product provision and marketing efforts
- Lack of policy for the management development and marketing of rural tourism

Policy Issues in Rural Tourism

Because of the difficulties of identification and measurement, rural tourism and the recreation business across Europe works in a policy vacuum (Middleton, V.T.C. 1998). Within the EU little policy is directed at tourism development. The most important industry impacts are derived from generic policies and measures directed at business generally (Davidson & Maitland, 1997:117; Wanhill 1997). Rural areas are often marginalised as somewhat secondary 'sight-seeing territory' rather than as a complex of tourism and recreation resources for marketing (Bramwell, 1994). A number of authors have pointed to the almost universal lack of policy and support strategies for rural tourism at higher levels of administration (Page & Getz, 1997). Various reasons have been put forward for this such as, the perceived low capital and employment generation characteristics of the sector, poor statistical base or that rural tourism is mainly domestic and therefore considered able to look after itself. Whatever the reason, policy for the planning, management and marketing is inadequate to advance the growth of this dynamic sector. A national policy producing integrated approaches to optimise the benefits of rural tourism for rural people and for tourists is needed. This policy would:

- Define rural tourism incorporating its various components of natural facilities, activities, and services.
- Develop a specific statistical database for rural tourism to help establish product availability, development possibilities and market information.
- Propose a strategic plan, which would set clear objectives and targets for rural tourism development and marketing.
- Integrate and co-ordinate the various agencies involved and identify clear areas of responsibility.
- Overcome duplication of effort and lack of clarity of message, which is seen as a reason for lack of marketing results.
- Address key issues of research, training provision, networking, quality product development, innovation and standards to maintain competitiveness.
- Develop functional links with key players in the market place and ensure measurable results from marketing efforts in rural tourism.

Rural tourism in Finland is recognised as an essential part of the economy. The year 2000 saw the production of a rural tourism Policy Programme and National Strategy.

At that time 100 market organisations were marketing rural tourism and more than half of the entrepreneurs were marketing themselves. This large number of organisations is seen as one of the reasons for their poor marketing results to date. Part of the Policy Programme is to bring about integration, overcome duplication and achieve a 50% utilisation rate by 2007. Finland like Ireland has a small population of 5 million people and therefore has to look to other countries for tourist markets.

Organisational Structure and Process

In the absence of a policy for rural tourism, there is ample evidence to show that whether it be at global, national or regional level, the development of rural tourism must at minimum address the need for organisational structure and process. Although a rapidly growing area of activity, rural tourism is highly fragmented in terms of operational structures, markets and integration.

Aside from its development potential rural tourism is not yet realising its economic potential. Markets for tourism are highly competitive. Like other economic development strategies rural tourism requires several components to be successful. A widely held economic view in tourism is, that tourism and its associated entrepreneurship opportunities, are best developed by helping individuals create individual businesses and allowing them compete in the market place (Eadington & Redmam, 1991). This view however has been refuted because:

- It treats tourism and tourism related businesses as isolated from the larger community and its issues.
- It does not recognise the interdependence of the various sectors and actors involved.
- Most small tourism enterprises, especially in rural areas, do not have the individual resources to promote either themselves or the community as a tourism product (Gunn, 1998; Murphy, 1985; Bejou, 1995).

Structured networks and collaborative agreements provide support and contribute to a better understanding of the business and marketing environment within which firms operate. The synergy of a business cluster working together produces outcomes not possible for any individual provider. Collaboration encourages recognition of the benefits of an entrepreneurial region whose ‘dynamic economic and social characteristics’ may to some extent, compensate for the disadvantages of a rural location (Williams et al, 2000). While a structured group approach may be the effective way to develop and promote tourism, creating inter-community co-operation and collaboration is a complex and difficult process. Businesses are asked to share resources while simultaneously competing. The evidence is compelling though that the benefits of growth in rural tourism markets cannot be harnessed by business and communities working in isolation.

This process requires training and facilitation to build the capacity of individuals within the community and to help acquire entrepreneurial, business, marketing, hospitality and customer care skills in the rural tourism business. This process further requires groups to work together to develop leadership and co-operative skills and create linkages and partnerships with Government agencies to access support and funding.

Conditions for Successful Rural Tourism Development

There are a number of critical factors which rural communities must seriously consider when examining the possibilities for rural tourism in their areas.

1) A critical mass to provide a holiday experience
2) Co-operation and group development
3) A strategic plan
4) Focused marketing
5) Education and training

1) A Critical Mass to Provide the Holiday Experience

Successful tourism involves getting people to stay longer in the area. A rural area must aim to be a "destination" rather than a place to 'stop-off'. A failure to achieve a critical mass, that is, a sufficient concentration of facilities, accommodation and attractions, means that a rural area lacks the ability to draw visitors to it for anything more than an hour or a day. It is in the interest of local providers to work together in order to create a critical mass of tourism products in the area if they are to achieve economic benefits from longer stays. Communities that have been successful at getting tourists to stay, spend money and come back, have developed high quality tourism products and put together professional structures to liase with the market and achieve results. In order to measure the capability of an area to supply a holiday experience a resource audit of the area using the following guidelines, will help establish if the area has the critical mass of product.

Rural Tourism Holiday Network - THE 5 A's

Accommodation Base	**Access Facilities**	**Available Services**	**Amenities**	**Activities**
Place to stay locally B&B Self Catering Small Hotel Hostels Camp Sites Caravan Sites	Airport Rail Service Bus Booking and Reservation Facilities Web Site Linkage with Travel Trade	Bank Taxi Car hire Boat hire Restaurants Shops Theatre	Scenery Lakes Landscape Mountains Forests Rivers	What to do Attractions Pubs Walks Fishing Golf Visitor Farms Heritage Sites

The correct mix of rural products is essential, to provide the volume and capacity, which make a destination attractive to the travel trade and the individual visitor.

2) Co-operation and Group Development

Co-operation between rural tourism providers, business people and community activists who understand the benefits from tourism in the area is important. Networking and co-operation allows tourism providers

- Pool resources
- Reduce marketing costs.
- Set up partnerships with government agencies for training, support and funding.
- Draw up strategic plans for tourism in the area.
- Increase their knowledge base.
- Lobby for support.
- Develop community resources for tourism such as walks, heritage projects, fishing, water sports, environmental projects.
- Strength in numbers.

Co-operative effort must be effective and sustainable. It is now clear from observing successful initiatives that two sets of expectations exist within rural groups – one set of needs/expectations comes from community activists whose expectation of the initiative is development. Therefore they want to concentrate on product development for rural tourism in the locality. The second set of needs/expectations comes from rural tourism providers who want tangible benefits in the form of improved results from marketing efforts. There are clearly two separate but closely linked functions which the group is expected to fulfil:

- Development Function
- Marketing Function

The tendency within rural tourism groups is to spend more time on development and promotion, causing dissatisfaction when marketing needs, in the form of increased sales, are not met. Failure to develop each with parallel strategies for both functions impede the long term success of the group.

Development Function

This element of the project is undertaken by local community activists to include tourist interests, providers, historians, geologists, environmentalists, anglers, farmers, publicans and shopkeepers in the locality who see potential for tourism development in the area. It is vital to develop local leadership skills at this stage. With a development focus, the group are able to concentrate on identifying local resources such as lakes, rivers, eco and environmental tourist services and activities and establish their development potential, source finance for development and set up partnership with agencies and bodies who can be of assistance.

Progression in the Development Function

Select area with potential

⇓

Develop local leadership

⇓

Organise group for tourism development

⇓

Establish close links with development agencies

⇓

Conduct resource audit for tourism using 5A's guideline

⇓

Analyse resource audit and select / prioritise areas for development

⇓

Set a vision

⇓

Identify an image for the locality

⇓

Draw up a development plan for each product and cost it in co-operation with specific interests and agencies

⇓

Liaise with bodies & agencies for assistance

⇓

Liaise with marketing initiatives

Marketing Function

A separate marketing function focusing only on the tasks of marketing is required. This function will have close links with the development function but will be separate and independent, for example, assessing what the market requires, providing holiday packages, preparing marketing literature and promotional materials and facilitating sales.

The marketing function requires people with business and marketing skills, capable of drawing up marketing strategies, measurable by occupancy levels, preparing holiday package unique to the locality and tailoring packages to suit customer needs.

Progression in the Marketing Function

Establish aims / goals and set targets

⇓

Organise group for marketing

⇓

Set up partnership with marketing agencies and get clear understanding of role of agencies and linkage with tourist trade. Prepare a draft plan

⇓

Establish best method for promotion and selling

Set up system for sales

⇓

Prepare portfolio of products

Prepare promotional materials. Establish possible holiday packages locally

⇓

Research markets with packages

⇓

Adjust packages

⇓

Identify a sales person

Put a marketing plan in place

⇓

Set up sales facilities

⇓

Network with other tourist initiatives

⇓

Assess marketing strategies against sales

3) A Strategic Plan

Planning is fundamental for the efficient use of resources and funds. Planning for tourism requires the involvement of various key stakeholders and groups in the area such as tourism entrepreneurs, local government, tourism authorities and government agencies. The strategic plan will formulate goals, devise implementation programmes in development and marketing and have inbuilt performance measurement criteria.

4) Focused Marketing

Within rural tourism the subject of marketing is often marginalized, regarded as the task of the individual provider and often confused with promotion (Clarke, 1999). The potential benefits of successful marketing therefore elude many rural tourist areas. Marketing must be taken on board in its broadest sense, that is, to the completion of a sale. The need to differentiate the rural tourism product is essential not only from each other but from other resort type experiences. Tourism is a service based industry and the principal products are a recreational experience and hospitality. These are intangible products and more difficult to sell than a tangible product like a car. One must keep in mind that the same marketing principles apply whether selling a car, a rural tourism locality, an airline seat, a holiday resort or a bed and breakfast establishment. In tourism, the customer must travel to the product as opposed to moving the product to the customer. Traditionally farmers did not have to devote a lot of time to marketing, the co-operative movement, a model which could equally apply to rural tourism, took care of that. A marketing plan must be put in place.

5) Education and Training

To provide the much increased innovative capacity required to drive an international competing rural tourism industry, education and training is paramount to its success. Core elements of the programme must include modules on:

- Capacity Building and Empowerment
- Group Dynamics and Leadership Skills
- Innovation and Idea Generation
- Understanding the Countryside and its Resources
- Understanding the Tourism Industry
- Options and Possibilities in Product Development

In addition the programme should give high priority to:

- Business Planning and Management
- Hospitality and Customer Care
- Skills Training

Education and training programmes must be flexible to meet the specific needs of individuals and groups. Rural people must be educated to take ownership of the development and marketing goals and ensure their implementation, in partnership with government agencies responsible for tourism and rural development.

Conclusion

Rural tourism is a serious instrument of rural development. Policy is essential to its success in impacting on the rural economy. The present policy vacuum must be filled by structures for collaboration and co-operation, combined with a process of education and training. To enable an area to become a rural tourism destination, not just a stop off point, structured networks and collaboration agreements are essential. Creating inter-community co-operation and collaboration is a complex and difficult process requiring education, training, capacity building and facilitation. Co-operative effort must be effective and sustainable. The two separate key functions of marketing and development must be addressed simultaneously.

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Eileen O’Rourke
Carlow Rural Tourism Group

Not available at time of printing.

Perrymount Farm Guesthouse (Case Study)

Anne and Peter Donnelly
Perrymount Farm, County Wexford

Not available at time of printing.

The Organic Food Market: An Opportunity for Ireland?

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Abstract

Factors which illustrate the extent to which organics offer an opportunity for Irish farm and food sectors are discussed in the first part of this paper. This is done in the context of current and projected market size, factors influencing the market and supply chain issues. The second part of the paper outlines the main results from a study on the potential for the organic milk sector in Ireland and illustrates the current weakness of the sector and discusses what needs to happen for development to occur. This is done in the context of developments in Austria and Denmark and discussions with industry experts in Ireland. The market is expected to grow threefold by 2006 and provide opportunities, particularly for beef and lamb producers and processors. Direct sales have potential but retail multiples are expected to provide the largest growth opportunities. For organic milk, government support to develop the supply base, more processing to achieve scale economies and greater retailer promotion will help the potential to be realised but the extent of consumer demand will determine what market shares will be attained.

Introduction[11]

The market for organic food in Ireland is currently very small. It was valued at up to €25 m in a report by Cowan, Henchion, O'Reilly and Conway, published by the Western Development Commission (2001). This represents only about 0.4% of the value of the total food market, compared to a 2% average in the EU. However there has been steady growth from a low base and it is expected to reach about €86 m by 2006. This is based on a prediction made over a year ago and assumed growth rates of 25% per annum.

In Ireland the largest share of all organic sales, 43%, is for fruit and vegetables but about 70% of these are imported. While some imports are necessary for seasonal reasons the lack of penetration by local products is worth some discussion. The second largest market is the meat market (25% of organic sales), mainly beef, with some lamb also important. Organic poultry and pigmeat sales are almost negligible, due to limited supply. Organic meat is more important in Ireland at about twice the EU average. Dairy products have a 10% share of all organic sales. Sales are about half of the European average.

In a recent study by Van der Grijp and den Hond (1999) EU countries were categorised into four groups based on relative share of total agricultural production and growth rate of organic agricultural production. (See Figure 1 below). The fact that Ireland was placed in a group of countries with a low relative share and a high growth

[11] The first part of the paper is based on the organic action plan reports by Cowan, Henchion, O'Reilly and Conway for the WDC(2001) and related paper by Henchion et al (2001)

rate suggests a market opportunity exists. Other groups had either grown and stabilised, were growing rapidly or were lagging behind.

Analysis by Cowan et al in the report (2001) for the WDC suggest beef, vegetables and lamb represent the main growth opportunities. Dairy products other than yoghurt are so far unimportant but there is a considerable amount of processed products on the market, particularly in some supermarkets and wholefood shops.

Growth rate of organic agriculture production

Relative share of total agriculture production	LOW	HIGH
HIGH	**Group 2: Stabilisers** *Austria* *Germany* *Finland*	**Group 1:Boomers** *Denmark* *Finland* *Italy*
LOW	**Group 4: Laggards** *France* *Belgium* *Luxembourg* *Netherlands* *UK*	**Group 3:Potential** *Greece* *Ireland* *Norway* *Portugal* *Spain*

Figure 1: Countries grouped by growth rate of organic production and share of production held by organic production:
Source: Van der Grijp and den Hond, 1999

The next section discusses the factors that will determine whether or not projections will be achieved. This is followed by a section which discusses the various ways by which organic products can reach the final consumer in Ireland and the issues that need to be addressed to develop the supply chain for organic food.

Factors influencing the market

There are a number of forces driving or retarding the market for organic food in Ireland. Some have been outlined by Henchion, O'Reilly and Cowan (2001) These include consumer demand, supply of raw materials and food products, promotion of organic food in distribution channels and government policy for organic food.

While studies show that consumer perception is positive, this has not translated into high sales. The main reasons consumers give for buying organic include health benefits, improved taste and consumer concerns regarding various issues from environmental concerns to concerns about food safety (e.g. lack of artificial chemicals). It is often claimed that organic food tastes better but the evidence for these claims is hard to find. Recent work on taste has provided some insights into the reality of taste difference. Fillion et al (2001) undertook sensory and consumer testing

of organic and conventional products. Two products types were used, UHT orange juice (14 products) and pasteurised wholemilk. (12 products). Firstly they investigated whether organic foods tastes different. Strong evidence was found from the sensory work that organic orange juice tasted differently to conventional but with milk products no evidence for difference was found. With the orange juice a consumer test followed and it was concluded that the organic products were preferred because of better sensory quality and more fruity flavour. On this basis it was concluded that while broad claims cannot be substantiated, there may be scope for product specific claims, based on research evidence. A less positive factor is price perception and a recent survey of Irish consumers by Bord Bia (2000) found that when prompted 68% of non-organic buying consumers said that the reason that they did not buy organic food was because it was too expensive.

On the supply side, it is regularly claimed that lack of supply is hindering market growth. In particular this can be a problem for food processors and retailers. On the other hand experience in Ireland and elsewhere shows that oversupply can easily occur. Seepage of product to conventional markets can be widespread. Cowan et al (2001) found that the main reasons for converting to organic production were profitability, an interest in less intensive farming and environmentally friendly farming and higher quality food products. An EU study with Teagasc (The National Food Centre and Athenry) participation is examining farmer motivations and consumer demand for products from farmers in conversion. It will provide more information in the next few years on this aspect.

To date, retailer promotion of organic foods has been limited in Ireland. This contrasts with other EU countries where retailer support has been instrumental in growing the market as discussed in the organic milk market analysis below. Retailers cite the problems with supply as well as quality and price as reasons for not promoting organic foods.

Government support policy has been limited to measures under the EU Common Agricultural Policy until a new support scheme for production and marketing was introduced by DAFRD in 2001. Furthermore, an Organic Development Committee has been set up by the Department of Agriculture, Food and Rural Development (DAFRD) and is expected to give new impetus to the sector.

Supply Chain

Henchion et al (2001) have described the supply system for organic food in Ireland and issues in developing the chains. They show that organic produce is sold either directly to consumers or indirectly through the chain by way of retailers. The supermarkets are the most important outlets and 67% of purchasers buy there (Bord Bia, 2000). Direct sales include sales through market stalls, box systems, country markets, farm sales, direct sales to food service outlets, mail order catalogue and the internet. Retail sales to multiple retail outlets, symbol groups or independent retailers are through intermediaries including wholesalers, distributors or processors.

Direct Sales

Direct sales can be relatively important for some producers particularly for horticultural products. A number of factors can limit sales in the development of this channel. One example is access to a market stall can be difficult due to a lack of available stalls. Another, legislation on processing and handling of foodstuffs, is likely to limit farm shops as an outlet for organic meat.

However, there are many positive factors supporting direct sales. For example many urban consumers are increasingly interested in the origin of their food and this can encourage the setting up of farm shops near urban centres. Proximity to many of the direct sales outlets offers some advantage in terms of transport cost and freshness, for example, over larger scale producers, either elsewhere in Ireland or abroad.

Equally many producers feel there is sufficient demand from consumers to increase box sales while in tourism areas markets for seasonal foods can be developed. These include food service outlets that can benefit for positive tourist perceptions of the link between the Irish environment and organic food. The growth in home shopping means the mail order catalogue and the Internet channel have growth potential.

Issues for Developing the Direct Sales Channel

For direct sales to benefit from some of their advantages and compete successfully against multiple retailers, several issues need addressing. These include:
1. *Increased access to market*: There is a need to increase market stalls in existing markets or develop new organic food markets.
2. Training requirements: Producers need to broaden their skill base to include business planning, marketing and sales and bookkeeping.
3. *Improve supply*: It will be necessary to increase the level of supply and extend the sales season in suitable ways including co-ordination of production between producers located in the region.
4. *Innovative approaches*: There is a need to develop many of the direct sales schemes currently in operation to more closely meet the requirements of consumers for convenience and choice. For example, at present most box scheme operators only offer a basic service with little or no choice.
5. *Foodservice market opportunities*: There is potential to build this market by making foodservice outlets aware of the potential of organic food as a promotional tool and providing information on sources of organic food in their locality.

Retail Sales

Different distributors, some dedicated to organic produce, move organic products to a range of outlets including multiple retailers and health food shops and also sell organic products as part of a range. Independent retailers including butchers and other specialist shops also source organic foods through various channels. Of these the multiple retailers are the most important outlet and will be crucial in expanding the organic market. Tesco, Dunnes, Superquinn and Musgraves/ Supervalue all now stock a reasonable range of organic produce. Evidence from Latacz-Lohmann and Foster (1997) for the UK has shown that multiple retailer involvement can hinder the development of the supply base by limiting farmer margins. However, the same authors also claim that evidence from Germany shows that to bridge the gap

between actual and potential demand, it is necessary to make organic products more available through multiple retailers.

There are a number of important trends that could have either positive or negative influences on the organic sector. Concentration in the retail sector could increase the barriers to entry for small producers in the Irish grocery sector. On the other hand centralisation of purchasing and distribution activities can make it possible for organic processors to sell their product directly to retail stores. The increasing importance of information-communication-technology and logistics capabilities can also be used to advantage by organic producers. Rationalisation of supplier bases with most of the major retailers already having preferred suppliers means dependence on one distributor. While these distributors generally provide a good service for the small food enterprises their margin can often be quite high. Finally, the possible consequences of own brand for indigenous small food producers are numerous including increased promotional activity.

Issues for Developing the Retail Sales Channel

Issues of importance for development of this channel include:
1. Retailer strategies: Retailers need to be encouraged to integrate organic products into their business strategy and give organic food ranges the support necessary for success.
*2. Continuity of supply***:** There is a need to increase the level of all year round supply of dairy, meat and fruit and vegetable products to the extent that seasonality allows.
*3. Consistency of quality***:** Producers need to supply retailers with products of consistent quality, particularly for fruit and vegetables sourced in Ireland. In the latter case product from producers that have completed the Bord Glas quality assurance programme are preferred.
4. New market opportunities: Organic equivalents of conventional products arising from consumer trends underlying the market for food in general will provide new opportunities. These trends include consumer demand for convenience, luxury, variety, taste and health.
5. Stable premia: organic price premia must become more stable over the year.
6. Promotion: Greater generic promotion of organic food will be needed, initially in the form of consumer information.
*7. Information***:** At present retailers have very little information on and knowledge of the performance of organic food product lines.

In Europe, The organic milk market has become one of the main growth markets for organic products with high retail market shares for organic liquid milk. Thus the next section focuses on this sub sector with the objective of identifying to what extent it offers an opportunity for Irish dairy sector.

The organic milk market[12]

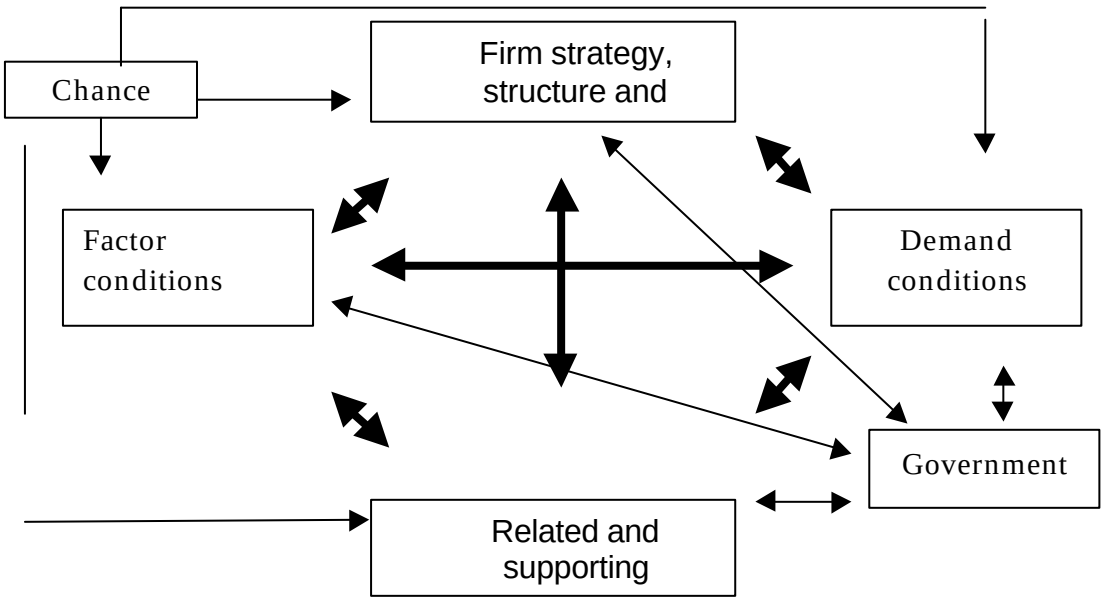
This work used case studies of the Austrian and Danish markets, a forecasting model and in-depth discussions with experts to estimate market size and potential for the organic milk market in Ireland.

[12] This part of the paper is based on a thesis by Ní Ghraith (2001) on the potential market for liquid organic milk and a draft Teagasc end of project report on the same topic

Methods

The cases are structured using Porter's Diamond Model (Porter, 1998). The Diamond technique is based on four determinants: factor conditions; demand conditions; firm strategy, structure and rivalry; and related and supporting industries. There are also two external variables in the model, government and chance. Figure 2 shows the model.

Figure 2: Porter's Diamond model showing interdependent variables that determine the competitiveness of an industry



The Danish and Austrian cases were analysed under each heading of the Diamond model and particular emphasis was placed on the relevance of market strategy.

The Delphi forecasting process was used to predict future market shares in Ireland. It uses forecasts made on two or more rounds by a group of independent experts. Twelve of the panel responded to both rounds. Predictions were made for the years 2003 and 2006. Depth interviews with four key decision-makers from retailing and processing. In Ireland were used to gain a better understanding of the factors that could affect the Irish organic milk market.

Results

Detailed results are available in Ní Ghraith (2001) and elsewhere (Cowan et al., Teagasc end project report, 2002). The following highlights key findings, firstly for the Diamond analysis and secondly for the Delphi forecasts and depth interviews.

Porter Analysis of determinants in Irish, Danish and Austrian Markets.

Factor conditions: There is only a handful of liquid organic milk producers in Ireland, and only one small processor of importance. In Denmark, a farmer movement based on a desire for a cleaner and greener environment has lead to about 700 milk producers converting to organic production. In Austria, there are over 9000 dairy farms in organics. Government support associated with EU entry encouraged conversion.
Demand: The liquid milk market in Ireland is valued at €430 m with consumption per capita at about 146 litres per annum. Market share for organic liquid milk is less than 0.1 % of this so the market is very much a niche. Retailer premia vary from 20 to 40%. In Denmark there is huge consumer interest, some 80 % buy some organic products. Organic milk has a market share of about 20%. In Austria, consumers are interested for environmental and health reasons. Demand is also retailer driven with both Billa and Spar promoting organic products. Organic liquid milk market share is 8%. The premium for milk is about 18%.
Related and supporting industries: The conventional dairy sector in Ireland is very competitive and not very interested in organic milk. Though other related organic markets in Ireland are larger than the dairy market they are relatively small and have not grown sufficiently to provide an impetus for dairy products. In Denmark, conventional processors are major players and other organic markets are significant. In Austria, the bakery and cereal organic sector is particularly strong with 13% market share. Furthermore, weaknesses in the conventional dairy sector have encouraged organics.
Firm strategy and rivalry: Although the multiples compete with brands and own labels the small size of the market in Ireland means it is not a major area of rivalry. In Denmark, the retailer FDB, following an approach from farmers in 1993, has driven the market. Another driver of growth is the main milk processor, MD Foods (now Arla Foods), who introduced the '*Harmonie*' organic brand. In Austria, the retailer, Billa, offered 5-year contracts to producers at fixed prices and a guaranteed market. They set a target of 10% market share and they introduced an organic own–label brand, '*Ja! Naturlich'*, positioned as a high quality as well as an organic brand. In both Denmark and Austria, firm strategies have moved the market from niche to mainstream.
Government: In Ireland, the government, since setting up an Organic Unit some years ago, took no major initiatives to develop the sector until the recent National Development Plan. In Denmark, action plans have supported the development with support for R&D, public sector purchasing, and conversion. The national certification mark was also introduced. In Austria, the government introduced a national label and provided subsidies to convert.
Chance: No chance factors have been important to date in Ireland. In Denmark the government approach to reducing environmental pollution was to promote organic production. For Austria, EU entry meant farmers needed to find alternative ways of

profitable farming. Secondly, Billa decided to choose organic food as the main vehicle for differentiating their retailing operation.

Delphi forecasts and Depth interviews

The yoghurt market is expected to almost double in size, from 5% market share at present to 11% in 2006. Respondents estimated a growth from 0.1% in 2000 to 1% by 2006 in the liquid milk market. The butter and cheese markets will also experience growth. Experts felt that if farmers received a good price for their milk, they would be more encouraged to convert to organic production.

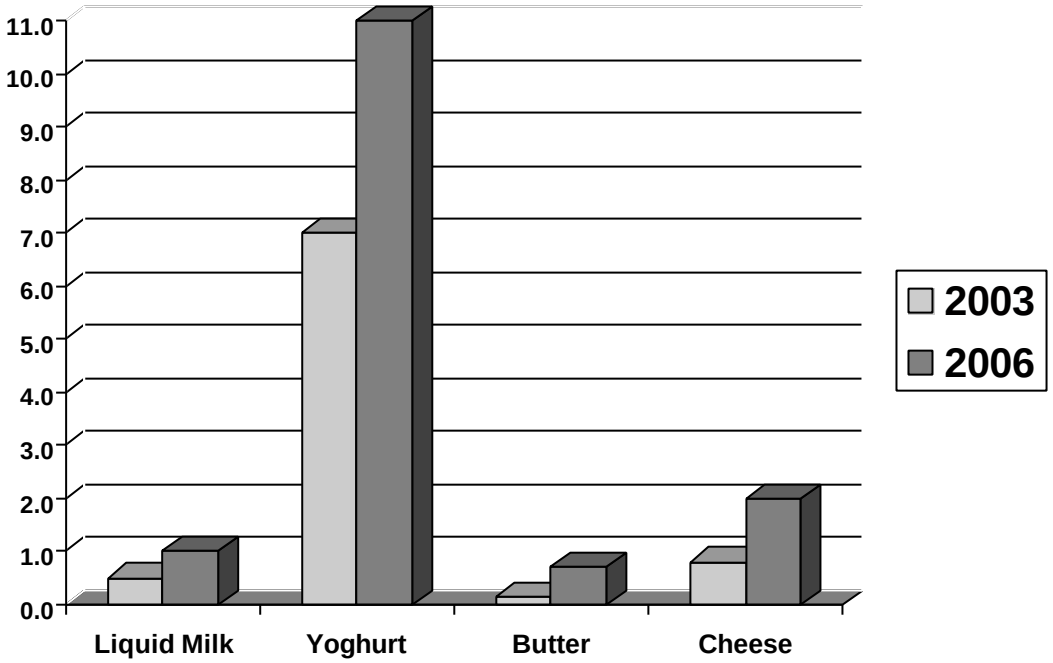


Figure 3: Predicted market shares for each product category % (n=12)

There is consumer interest in organic milk but a lack of supply is limiting retailer interest. Yoghurt is the biggest market and is more sustainable in the short term than organic liquid milk. The higher price of organic milk will not deter consumers from buying but a strong brand from the existing processor or a new larger processor is needed.

More financial assistance might also encourage farmers to convert, as it would relieve farmers of the apprehension of entering a new market. More research in organic farming practices is needed to advise farmers on the best farming methods as there is a lot of uncertainty about how to farm with optimum results.

Discussion

It is expected that the market for organic foods will increase threefold over the next 5 years, supported by consumer demand. Government and retailer initiatives and greater producer co-operation may accelerate this expected growth. While the

multiple retailer is the dominant seller of organic food in Ireland, direct sales schemes are popular in rural areas. Both channels need to and should be developed in the future but the direct sales channels will require a greater level of public sector intervention and support if they are to offer any significant competition to multiple retailers. A number of issues that need to be addressed in developing the channels have been outlined above. Among the most important for direct sales are increased market access and developing producers' skill bases. For the sales through intermediaries to retailers, issues include improving consistency of quality, reducing the price premium for organic foods and providing more information to consumers.

On the organic milk market, the current situation in Ireland lags behind much of Europe. At present, countries such as Austria and Denmark are expanding into exporting organic milk products. Given the export orientation of the Irish industry strong consideration should be given by dairy companies to meeting European consumer demand for organic dairy products. Analysis of the organic liquid milk and dairy products market shows that producer interest, the involvement of retailers, processors and the government, and consumer demand have been very important in supporting the development of the market in Denmark and Austria and similar factors will be important in Ireland. Government support to develop the supply base, more processing to achieve scale economies and greater retailer promotion will help the potential to be realised but the extent of consumer demand will determine what market shares will be attained. A focussed strategy, which targets interested consumer segments, will be needed to move the market from niche to mainstream.

Acknowledgements

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Costs and Margins in Organic Production in Comparison with Conventional Production

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The number of registered organic producers has been growing rapidly throughout the 1990's albeit from a very low base. By the end-2001 there were 1,083 organic producers registered with the three main organic associations in Ireland with 30,000 ha approximately under organic farming practices. Notwithstanding the rapid growth in both numbers and area, the total land use still accounts for just 0.7% of utilised agricultural area. This is approximately a third of the EU average.

Table 1 sets out data relating to producers registered with the three organic associations from 1993 to 2001. It shows that between 1993 and 2001 the number of registered producers increased from 238 to 1,083 with the area under organic production rising from 5,457 hectares to almost 30,000 hectares. Approximately 60% or 17,985 ha are in conversion with 12,014 fully organic.

Of the 1,083 registered organic producers, over 40% are engaged in beef production followed by sheep production (about 25%) and vegetable production (13%). The remainder are engaged in a number of different farming practices including fruit, poultry, arable crops, milk and pig production.

Table 1: Number of Registered Organic Producers[1] 1993/2001

Year	Producers	Area (ha)
1993	238	5,457
1994	195	5,816
1995	496	12,634
1996	694	20,496
1997	808	23,591
1998	923	29,214
1999	1,012	31,967
2001	1,083	29,976

Sources: DAFRD, IOFGA,
Organic Trust and Demeter
[1]Either presently in production or in conversion

Economics of Cattle and Sheep Production

The EU market for organic meat is growing by over 20% annually with beef accounting for 80% of the total. EU sales of organic meat were worth €890M in 2001 and were mainly concentrated in Northern Europe. At farm level meat production declines on a per ha basis following conversion to organic. Research carried out in Scotland reported a decline of 23% in beef liveweight produced per ha following conversion to organic production. However current EU policy and direct payment system favours extensive production with stocking rates under 1.4 LU/ha. It should be possible to achieve this stocking rate in an organic system under good

management on a clover sward. Farmers converting to organic production receive an extra €91 per ha under REPS.

Farm gate prices for organic produce are higher than for conventional. The current price premia for beef and lamb throughout the EU is in the order of 20 to 30%. The market is under subscribed and growing so it is reasonable to assume that a 20% premium will be maintained at least in the medium term.

Overall direct costs of production decline slightly (10%) under organic production based on survey results from EU countries. Understandably fertiliser, veterinary and chemical input costs decline but these are offset by increased costs of concentrates and the extra cost of straw for bedding. Fixed costs increase due to additional housing requirements coupled with need for straw bedding, farmyard manure collection and storage. Interest on capital borrowed for this additional investment also add to the fixed costs. Labour requirements are normally higher for organic systems.

The financial implications of converting to organic meat production was assessed by the FINPAK budgeting system for a number of typical farm scenarios. It should be emphasised that a change to any of the assumptions taken would give different results.

Scenario 1: Suckler cow to weanling + sheep on 20 ha.

In this scenario weanlings are sold from 20 cows and lambs from 40 ewes under conventional management. A 10% decline in livestock numbers is assumed under organic production which is offset by a 15% price premium for organic weanlings and a 20% premium on lambs finished organically.

Table 2: Drystock – financial results 20 ha – organic v conventional

	Conventional	Organic
	€/farm	
Output	19,396	21,654
Direct costs	4,715	4,240
Gross margin	14,681	17,414
Fixed costs	6,350	7,620
Net margin	8,331	9,794
	€/ha	
Net margin	415	490

The margin in favour of organic production is €1,463 or 18%. Again the decline in physical output is more than compensated for by increased product price and higher REPS payment.

Scenario 2: Suckler cow to finish + sheep on 40 ha.
In this scenario all progeny are carried to slaughter and the organic system is compared to a moderate stocking rate conventional system.

Table 3: Drystock – financial results 40 ha – organic v conventional

	Conventional	Organic
	€/farm	
Output	37,179	41,455
Direct costs	10,979	9,948
Gross margin	26,200	31,507
Fixed costs	15,200	18,240
Net margin	11,000	13,267
	€/ha	
Net margin	275	331

In this budgeted case study meat production per ha is assumed to have declined by 15% under organic production, but a price premium of 20% is paid on both beef and lamb. An additional REPS payment of €91 per ha is also paid to the organic producer when fully organic which contributes an additional €3640 to output on the organic farm. Total costs are €26,179 on the conventional farm compared to €28,188 on the organic farm. The net margin in favour of the organic system is €2,267 or 20%.

Economics of Organic Milk Production

In examining the relative performance of organic versus conventional dairying it is important to differentiate between performance per cow and performance per ha. Performance per ha will in general be lower for organic production due to lower forage yields and stocking rates. Research from other EU countries suggest yields for organic dairying in the range 75% to 105% of conventional yields. However, lower stocking rates on organic farms results in milk production per ha being only 70% to 80% of conventional milk production. The price premium for organic milk varies from country to country ranging from 8% in Switzerland to over 20% in Austria, France, Norway and the Netherlands. In this financial analysis of organic dairying in Ireland we have assumed an organic manufacturing milk price of €0.33 per litre compared to €0.28 per litre for conventional manufacturing milk and €0.34 per litre for organic liquid milk.

Reduced direct costs occur on organic dairy farms due to the absence of fertiliser, pesticides and other chemical inputs. However purchased concentrates are more expensive and partially offset this saving. The requirement to use straw bedding for organic production also adds to direct costs.

Scenario 3: Conventional v organic milk on 44.5 ha
FINPAK was used to determine the relative profitability of organic and conventional milk production. In this scenario conventional manufacturing milk is compared with organic manufacturing milk, and organic liquid milk.

Table 4: Estimated output, costs and incomes – conventional manufacturing milk, organic manufacturing milk and organic liquid milk – 44.5 ha

	Conventional Manufacturing	Organic Manufacturing	Organic Liquid
		€	
Output	79,784	81,451	86,536
Total costs	43,593	43,114	44,685
Net income/farm	36,190	38,337	41,852
Net income/ha	813	860	941

Output is higher for organic systems due to premium price for milk. However the additional organic REPS payment was offset by livestock premia on conventional stock

Net margins broadly similar for conventional and organic manufacturing milk, but higher from organic liquid milk. At average performance organic liquid yield €127 more per ha than conventional manufacturing milk but direct costs were similar for conventional and organic manufacturing system but higher for liquid system due to higher amount of concentrate fed. The requirement of straw bedding adds considerably to costs of organic systems. Fixed costs were higher on organic systems due to additional investment required. Interest on loans and depreciation were the main additional cost item. It was assumed that no additional labour was required.

The price premium for organic milk is critical. If the price were to drop to conventional prices then conventional milk would be more profitable in all cases.

It should be emphasised that different margins and outcomes would result if assumptions are changed e.g. stocking rate, milk yield, concentrate, wages etc. However it was felt that the inputs used and assumptions made should broadly reflect transition from conventional to organic milk production.

Resulted shown are based on full organic status. No allowance made for loss of income in transition/conversion period.

Economic Returns of Tillage Crops

There are no shortage of data on the economic and technical performance of conventional tillage crops but information is very limited on returns to organic crop production. However research from Britain and Europe indicate that cereal crop fields are typically 60 to 70% lower than conventional yields. Organic potato yields are extremely variable but in general are only 75% of conventional potato crop yields, whilst organic vegetable yields are also 20 to 50% lower than conventional yields.

Yields can fall dramatically during the conversion period due to the absence of artificial nutrients and herbicides. However these artificial inputs can be replaced through organic management techniques resulting in the long term yield declines mentioned above. It is important therefore that a long term view is taken of the organic process.

The lower physical yields are compensated for by higher product prices at the farmgate and this is a key aspect in relation to the profitability of organic crops. The organic premium is based on supply and demand and in practice prices vary considerably depending on the product, its availability and the marketing channel. In a recent study of European countries the average farmgate price for organic wheat was 50 – 200% higher than for conventional wheat, with organic potatoes from zero in Sweden to 200% in Germany and the UK. Research throughout Europe has shown that there is no direct link between the premiums paid to farmers and the price premiums charged at wholesale and retail levels.

In Ireland due to the low volume of organic production it is likely that the premium on cereals will be in the order of 60% with vegetables ranging from 40 to 60%. The price for organic vegetables remain more or less constant through out the year, unlike conventional crops. However a high proportion of organic vegetables are sold in local markets or direct to the consumer. These outlets can be easily oversupplied leading to a rapid decline in price premia. It is important that market outlets and systems are put in place to ensure orderly marketing of the produce as these products could loose their "niche" market status when volume increases.

The additional payment of €91 per ha (€121 per ha <3 ha) to organic producers who are participants in the REPS scheme also underpins the financial viability of organic production.

Costs of production are generally lower on organic tillage farms than on comparable conventional farms. Variable costs decline due to withdrawal of prohibited inputs but reseeding and fertility building measures may partially offset this decline. In the tillage crops sector fixed costs increase due to higher labour input. Research have shown that in general variable costs on organic tillage farms are 60-70% lower than comparable conventional farms whilst fixed or overhead costs are 45% higher. In the attached budgets fixed costs on organic farms are assumed to be 50% higher than organic conventional farms.

Table 5: Arable crops – net margin organic v conventional (€/ha)

	Organic	**Conventional**
	Net margin €/ha	
Winter wheat	410	334
Spring barley (feed)	287	155
Maincrop Potatoes	3200	2100

Organic net margins are higher especially in relation to winter wheat, feed barley and potatoes. However the above margins assume a high level of technical performance on organic farms and a farm gate premium of 60% for organic cereals and 40% for organic potatoes.

Economic Returns from Dairying Enterprise

The data presented to date are based on budgeted returns. The enterprise data presented in Table 6 to 8 are based on actual farm data. The organic data was derived from survey of organic farms carried out in 2000 whilst the conventional data are based on National Farm Survey data.

Table 6: Dairying – manufacturing milk – 2000

	Organic	Conventional
No. of cows	34	49
Milk yield/cow (litres)	3805	4828
Milk yield/feed ha (litres)	5055	7724
Cows per forage ha	1.5	2.0
Cows per feed/ha	1.4	1.6
Average milk price (€/litre)	0.37	0.29
% of milk sold as organic	83	0
	€/ha	
Output	1957	2849
Direct costs	524	886
Gross margin	1433	1963
Estimated fixed costs	502	828
Net margin	931	1135

The results obtained from the organic dairy farms are compared to conventional creamery milk producers participating in the 2000 National Farm Survey. It should be pointed out that this is a very limited sample of organic producers with data from only 6 dairy farms. However it should also be noted that the number of organic milk producers in the country is probably less than fifteen.

The data show that milk produced per forage ha on organic farms was 5,707 litres compared to 9,656 on conventional farms – a difference of 70%. This difference was not compensated for by higher milk price (+27%) and lower costs, (-40%) as the net margin per ha was 22% higher on conventional milk farms. However only 83% of milk sold from organic farms went to organic outlets. Seventeen per cent of milk was sold at conventional price of €0.28 per litre compared to the organic price of €0.38 per litre and this reduced profitability of organic productions.

Results shown in Table 7 are based on a sample of organic farms surveyed in 2000 with conventional data based on National Farm Survey results.

Table 7: Financial and technical performance – single suckling - 2000

	Organic	Conventional
No. LU[s]	42	37
No. of cows	24	20
LU/ha	1.0	1.5
	€/ha	
Gross output	834	825
Direct costs	91	263
Gross margin	743	562
Fixed costs	291	278
Net margin	452	284

Higher prices for progeny and higher direct payment compensated for lower stocking rate resulting in output per ha being similar in both organic and conventional. However total costs of €382 and €541 for organic and conventional respectively resulted in an organic net margin 60% higher than the conventional margin.

The data relating to organic lamb is based on survey carried out during 2000 whilst conventional data are based on National Farm Survey results

Table 8: Financial and technical results – mid season lamb - 2000

	Organic	Conventional
No. of ewes	114	133
Ewes/ha	8.4	9.4
Weaning %	117	125
Lamb mortality %	8	10
	€/ha	
Gross output	917	871
Direct costs	305	263
Gross margin	612	608
Fixed costs	245	265
Net margin	367	343

Organic and conventional lamb production were broadly similar in relation to technical and financial performance with only a slightly higher net margin for organic production.

Conclusions

The market for organic food in the EU is growing and has more than doubled over the last 5 years. In Ireland 30,000 ha are under organic management which is less than 1% of total land area and one of the lowest in the EU. In additional much of the land devoted to organic farming in Ireland produce very little output due to the REPS support payment system which is not output based.

Milk produced per ha on organic farms is only 70% to 80% of that on similar conventional farms. Budgeted direct costs were lower whilst fixed costs were higher whilst results from a small sample of organic dairy farms showed both lower direct

and fixed costs. The price premium for organic milk is critical as without this organic milk production would be less profitable than conventional milk.

The net margin from organic cattle production was higher in both the budgeted scenarios and from actual farm data. Direct costs were considerably lower on organic farms with fixed costs slightly higher. Higher sale prices combined with additional organic REPS payments compensated for lower physical output per ha.

The net margin from organic sheep production was 7% higher than conventional lamb production. Direct production costs were higher on the organic farms with fixed costs lower, which was the converse of cattle production.

Organic cereal producers receive 60% higher prices for their produce than their conventional counterparts. Total costs of production are lower on organic tillage farms. The net margin per ha for organic cereals was estimated to be 25% higher for winter wheat and over 80% higher for spring barley. However these margins assume a high level of technical performance on organic farms coupled with a premium farmgate price and an additional €93 per ha REPS payment.

Organic Farming (Case Study)

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Not available at time of printing.

Organic Farming (Case Study)

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Prospects for Development of a Specialised Food Market

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Image of Regionally Produced Food

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Abstract

Regional imagery is increasingly being recognised as having commercial value for products of under-developed areas by providing a subjective source of quality differentiation. Results of a consumer survey in Ireland indicate that region of origin is an important consideration for two out of three consumers when deciding to buy quality products. However, the links between region and quality products are under-developed as indicated by the fact that Ireland is largely seen as a single region and the low level of awareness for selected regional labels. The authors caution against extensive use of territorial linkages at sub-country level in Ireland and emphasise that the use of regional links will only contribute to growth when the products coming from the regions are of intrinsically superior quality. This paper firstly discusses why the use of regional imagery for quality products is an important issue for food companies and provides some examples of its use in an Irish and European context. It then provides the results of a survey of 397 Irish consumers on their perceptions, practices and behaviour in relation to regional quality products. Finally, conclusions and recommendations are made, particularly for SMEs located in under-developed regions in Ireland but also for agencies which support such enterprises.

Introduction

Food SMEs (small and medium sized enterprises) in rural areas need to exploit all possible sources of competitive advantage to overcome disadvantages associated with scale and location. Given that most of these companies will be focused on niche markets due to scale limitations, their emphasis will be on the production of quality products. Combining quality aspects of the product with marketing strategies utilising regional imagery[13] offers potential for sustainable competitive advantage for SMEs located in rural regions by providing a subjective source of quality differentiation.

Both the EU (European Union) and the OECD (Organisation for Economic Co-operation and Development) have identified that regional imagery has an important contribution to make to the niche marketing of products of rural economies which, because of geographical and structural features, have failed to adapt successfully to a rapidly changing external environment. In 1992, as part of its food quality policy, the European Community created certification systems for the development and protection of regional agro-food quality products. These systems, Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Speciality Guaranteed (TSG), were created with two objectives: firstly, to favour the diversification of agricultural production by encouraging producers to sell products

[13] Regional imagery is defined as the use of regional images. Regional images can be defined as representations of places which consist of one or more of a variety of elements: people, animals, landscapes, including land, water and sky, sound and arguably taste and smell through their evocation (Cawley *et al*., 1997).

with added value and secondly, to offer registered product names legal protection at a European level. This certification system allows producers to use labels such as Designation of Origin and Geographical Indication as a means to market quality products, thereby contributing to income generation and the maintenance of rural population levels. The commercial value of regional imagery for rural economies that have become isolated from mainstream activity is also recognised by the EU Committee of the Regions (CEC, 1996). Furthermore, an OECD report (1995) refers to specific landscapes, cultural traditions or historic monuments as creating territorial linkages that can function as a niche marketing strategy.

Formalised links between products and their geographic origins have a long tradition in some sectors, such as wine and cheese, and in some countries, particularly France and Italy. These geographic indications include both the specific appellations d'origine and the more general indications of geographical source (Moran, 1993). Advocates of the system argue that the unique qualities of certain products derive from a combination of features of the natural environment and traditional practices of the people living there. These combinations, it is claimed, cannot be replicated elsewhere. On an economic basis, Moran (1993, p.264) emphasises its role for small local producers as allowing them to use geographical indications as a type of intellectual property, to enhance their reputations and to sell directly to final demand thus competing more effectively against large corporations.

Appellations d'origine are more restrictive than indications of source. Both have an as essential component the definition of the area from which they can be produced but, in addition various rules about the way the produce is question is to be produced are defined under the appellations d'origine system. For example, the 7,500 producers of gruyère de Comté in Franche-Comté in France have agreed to use only one breed of cow (Pie Rouge), not to permit the use of silage for feed and to use little or no refrigeration for storing the milk at the farm. They do this in the hope of capturing higher prices by restricting entry to their appellation and by maintaining control over production. Whether the extra costs that they incur will be balanced by the additional income is difficult to assess (Perrier-Cornet, 1990, cited in Moran, 1993).

Such formalised systems do not traditionally exist in Ireland; however, geographic indications have been loosely used and have operated at different levels. Furthermore, since this study was completed the EU has assigned two Irish products with PGI status. The use of regional images for overseas marketing of food commodities and some consumer food goods is well developed. However, regional images tend to operate at the national scale in the marketing of the main Irish food products by state promotional agencies (Cawley et al, 1999) so that the 'Irishness' of the product is emphasised through the use of geographical images in a non-regionally specific way. Environmental conditions which are associated with Ireland are invoked: the clean, green environment associated with geographical position on the western edge of Europe, low levels of industrialisation and relatively low intensity methods of livestock production which ensure high quality raw materials (Cotter, 1992). The Kerrygold label, which is used for marketing Irish butter and cheese internationally, is a national brand imbued with these images (Wafer, 1986). By contrast, specific regional and local associations are invoked in promoting niche food products. Some small-scale food producers have sought to attach a local identity to

a product, e.g. through the use of a local place name as the brand name as used by many cheese makers, e.g. Cashel Blue. Some generic horticultural products that do not have a quality mark or brand benefit from being identified with a particular region, e.g. Wexford strawberries. More recently, attempts have been made to attach sub-national regional identities to collectively promote a group of products, e.g. the Fuchsia label to promote products from West Cork. Thus regional imagery is used by Irish producers and marketing agencies to some extent to confer marketing advantages but not to gain higher prices by restricting production.

Irish consumer perceptions and practices in relation to the use of such regional imagery are the focus of this paper. The next section outlines the methodology used to collect the necessary information. This is followed by the results section and finally some conclusions and recommendations.

Methodology

Data were collected during the summer of 1998, using a questionnaire survey, which included both closed and open-ended questions. The aim of the survey was to explore consumers' perceptions, wants and needs in relation to the purchase of quality products and services from two selected study regions[14].

A total of 397 personal interviews were conducted in consumers' current place of residence. Extensive piloting of the questionnaire supported published research, which found that the consumption of quality products[15] is highest in the middle and upper socio-economic groups. Consequently, a purposive sampling method was used to bias the sample in favour of this group. Respondents were based within the two pre-selected study areas as well as the larger urban centres adjacent to the study areas (Galway and Cork City) and Dublin.

Results

Results are presented under four sub-headings relating to consumer perceptions of quality, consumer perceptions of links between regional imagery and quality, consumer practices in relation to regional quality products and factors influencing consumer behaviour in relation to the purchase of regional quality products.

[14] Area 1 encompassed Sligo, Leitrim and Roscommon; Area 2 included Kerry and West Cork.
[15] The survey sought information relating to quality food and drink, craft and tourism products. While the focus of this paper is on food, the results of this survey refer to quality products in general unless specifically mentioned.

Consumer Perceptions of Quality

Consumer perceptions of what constitutes quality vary for specific products and between individuals, regions and countries (Ilbery and Kneafsey, 1998). The Scottish Food Strategy Group (1993, p. 3) define a quality product or service more specifically as '*one which is differentiated in a positive manner by reason of one or more factors from the standard product, is recognised as such by the consumer, and can therefore command a market benefit if it is effectively marketed'*.

Sylvander (1995) categorised such differentiating factors as objective and subjective. The former relate to attributes inherent in the nature of the product, which can be externally verified, measured, controlled and replicated and the latter being some experiential phenomena which lie in the eye of the beholder (Rivera, 1995). In the context of large-scale production, quality usually refers to objective attributes, for example, meeting specific measurable criteria relating to materials, methods of production, processing and management. In the case of niche products, quality usually also involves subjective attributes, for example, associations with particular places, use of specific raw materials, customised methods of production and processing (Cowan and Sexton, 1997). Table 1 shows both objective and subjective factors, classified according to the four main criteria of certification, association, specification and attraction, that can be used to achieve quality-specific differentiation for all products.

Table 1: Differentiating Quality Factors

Quality Factor	Example
1. Achieving certification by a professional organisation, government, or other external bodies:	• appellation controlée • organic symbol • quality mark • self-regulation
2. Establishing association either *geographically* with a region or locality or *historically* with a tradition or culture (e.g. whiskey using traditional Scottish production methods) or skills	• regional designation, e.g. Irish beef • traceability • historic/cultural importance, e.g. Scottish whiskey • local environment
3. Ensuring specification of production method, raw material, ownership.	• production method e.g. small-scale workshops, air-cured meat, 'authentic' recipes • raw material e.g. local wool, water from a particular spring • ownership
4. Generating attraction by tapping into the subliminal wants of consumers	• designs • texture, flavour, taste • freshness/appearance • premium price • consumer perception
5. Other?	• European dimension? • Convenience

Source: Adapted from Ilbery and Kneafsey, 1997

This study also found that Irish consumers perceive quality as complex and multifaceted and use objective and subjective attributes to define the characteristics of quality. However, despite this complexity, it is the intrinsic properties of quality products e.g. taste, texture and design, which consumers primarily value. This can be from Table 2, which presents the results an open-ended question that asked respondents to identify the characteristics that mark out quality products. Examples given included 'quality products are just more expensive' (attraction), 'it is local honey (specification), 'it is Irish made' (association) and 'it has the Q mark' (certification). Consumers rely heavily on the use of brands as a symbol of quality assurance in addition to the desire to trace products to their original producer. More than two out of three consumers quoted either an international, national or regional branded product when asked to give an example of a quality food or drink product. Low-volume production and handcrafted skills serve to enhance perceptions that regional products represent quality. However, products differentiated solely on basis of these attributes, (e.g. "home-made preserves") are viewed as near commodities and do not attain the price premiums commanded by brands associated with their producer.

Table 2: Characteristics of Quality Products as Defined by Respondents

Quality Indicators	**%**
Attraction: generating attraction by tapping into the subliminal wants of consumers, designs, texture, taste, freshness, price, consumer perception	60
Specification: ensuring specification of production method or use of raw materials or ownership of the enterprise	22
Certification: achieving certification by a professional organisation, government or other external bodies, e.g. quality mark, organic symbol, self-regulation	11
Association: establishing association either geographically with a region or historically with a tradition or culture, e.g. using traditional methods or skills in the production of a product	6
Other	1

Consumers have a high level of confidence in quality labels and expressed the need to have quality, across products, authenticated by an independent agency. In a close-ended question with a 5-point scale, more than nine out of ten consumers felt it was either very important or fairly important that quality be regulated by an independent agency.

Consumers associate premium prices with quality products and generally expect to pay a premium for quality as can be seen from Table 3. More than 70% agreed with the statement that they expect to pay extra for quality products while more than 80% agreed with the statement that it is worth paying extra for quality products.

Table 3: Attitudes towards Price and Quality

Price statement	**% of respondents**

I generally expect to pay extra for quality products	
Agree strongly	14
Agree somewhat	59
Disagree somewhat	19
Disagree strongly	9
I think it is worth paying extra for quality products	
Agree strongly	29
Agree somewhat	64
Disagree somewhat	6
Disagree strongly	1

Consumer perceptions of links between regional imagery and quality

Region of origin was an important consideration for two out of three consumers when deciding to buy quality products. In response to an open-ended question, consumers stated that they would be encouraged to purchase products which identify region of origin for mainly economic reasons and reasons which relate to a desire to support and give loyalty to the particular region (see Table 4).

Table 4: Reasons Why Region of Origin Encourages Purchase

Reason	**% of respondents**
Support Irish Products	20
Trace Back to Producer	15
Ensure Irish Jobs	15
Region is Associated with Quality	14
Loyalty to Local Producers	10
Keep Money in Local Area	4
Other	6
No Difference between Sources	17

Four out of five consumers believe products from rural areas are of high quality. They believe business survival for small rural enterprise is based on their ability to compete on quality. Furthermore, one fifth of respondents believe that small-scale production methods ensured that small rural businesses achieve high quality. However, some consumers had concerns about the presentation and packaging of products from rural areas. A minority questioned the hygiene practices of such producers, considering that they did not have the necessary resources to implement a quality/hygiene plan.

Consumers associate several products with a single region, offering potential for cross-sectoral linkages in promoting the region. For example, West Cork LEADER Company promotes tourism and food together.

While links between region and quality products exist, they are underdeveloped as can be seen from the low level of awareness and understanding of selected territorial/regional labels that exist in each of the study areas (Table 5). It should be noted that many of these labels are relatively new. For example, the West Cork

Fuchsia symbol was launched in January 1998. Evidence of the underdevelopment of regional links can also be seen from the fact that in many cases consumers identify with Ireland as a single region rather than a number of sub-divisions. Almost one half of the respondents for this survey considered region of origin to mean Ireland as a country.

Table 5: Awareness and Understanding of Selected Territorial/Regional Labels

Label	Awareness of Label	Understanding of Label
West Cork: A Place Apart	31	15
North Leitrim Glens	26	11
Kerry Country	25	2
West Cork Fuchsia Symbol	17	2
Úna Bhán	10	3
Visual Leitrim	6	0
Brandon Beatha	3	0

There are a number of possible reasons for this underdevelopment:

- The various support agencies promote Ireland as a whole rather than promoting specific regions.
- Traditionally, consumers supported Irish products for economic rather than quality related reasons.
- Ireland does not have a regulatory agency linking origin and quality.
- The idea of linking region to quality is a new marketing concept in Ireland. There are only 2 products at present registered under the EU territorial designations systems (Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) or Traditional Speciality Guaranteed).

Consumer Practices in Relation to Regional Quality Products

Frequency of purchase of quality products varies by product with food being purchased more frequently than craft products for example. The absence of preservatives in processing many speciality foods, with the resulting short shelf life, and smaller portion sizes, may account for the higher frequency of purchasing. Frequency of purchase is also influenced by degree of accessibility with easily accessible products being purchased more frequently. Given the greater availability of regional quality products within production regions, consumers closer to the areas of production are more likely to consume them.

Place of purchase also varies by product. Supermarkets accounted for 38 per cent of sales of quality food products and only 2 per cent of quality craft products. Direct sales can be considered important for food if the category ‘market place and fairs’ is combined with ‘direct from the producer’ (Table 6). It should be noted that many Irish consumers’ definition of supermarkets include not only the large multiple outlets but also outlets belonging to retail groups which could be considered small shops in a wider European context.

Table 6: Place of Purchase for Quality Food & Craft Products (% of respondents)

Place of Purchase	Food (n=341)	Crafts (n=171)

Directly from the producer	13	40
Small shops within the study region	8	9
Small shops in the urban area	3	8
Supermarket	38	2
Market place, fair	39	41

Sales of crafts directly from the producer to the consumer reflects the structure of the craft sector in Ireland where many craft workers have retail outlets attached to their production area. Buying directly from the producer allows the consumer to seek the product being made and also given the consumer an opportunity to buy slightly flawed products at a cheaper price.

In response to an open question asking if they experienced any difficulties in obtaining regional quality products, a minority of consumers (less than 25%) reported difficulties. Continuity of supply and the limited number of outlets where products are available are the main areas of complaint by consumers. In many cases, a lack of continuity of supply is unavoidable due to the seasonal nature of the product however, this highlights the fact that convenient access is critical to market development for quality products.

One in five Irish consumers claimed that they did not buy regional quality products. Indifference to regional products is the main reason for not purchasing such products. Other reasons for not purchasing regional quality products included price, family size, satisfaction with mainstream products and limited distribution of these products. It is interesting to note that very large and very small family sizes were given as reasons for not purchasing. Single household units complained that many products were not available in single portion size, while larger family units complained that products were not available in family packs. These reasons do not seem to be related to socio-economic factors. Rejecters may have different values and lifestyles than adopters. This highlights the need to conduct further motivational research into purchase behaviour.

Factors Influencing Consumer Behaviour in Relation to the Purchase of Regional Quality Products

The survey highlights the high penetration of quality products among middle-income consumers in absolute terms with three out of four respondents claiming to buy regional quality products. The rapidly growing Irish economy with the resultant increase in the number of women in paid employment may provide a key into the high penetration of quality products. More than half the households sampled had dependent children with a high proportion of mothers working outside the home. These time-pressured households demand convenient wholesome foods and convenient shopping facilities. The growing availability of quality food products in supermarkets is addressing the demands of the “cash-rich, time-poor” Irish household. As the number of women working outside the home continues to grow, greater importance will be placed on the supermarket as a source of quality foods.

Personal contacts are the most important source of information for quality products. Information sourced directly from the producer can also be an

important and fairly reliable source of information; some consumers believe that the producer knows the product best. In addition, retailers are one of the most reliable sources of information on quality products for consumers (see Table 7). Their position 'at the coal face' means that they are in a strong position to encourage sampling and purchase of products. Their importance as a source of purchase for quality food products is particularly notable as was seen in Table 6 above.

Table 7: Sources of Information on Quality Products

Source of information	% of respondents
Personal contacts	32
Retailer	31
Advertising	17
Publicity in the media	10
Fairs, exhibitions	4
State promotional agencies	3
Other	3

Accessibility of quality products is critical to purchase. In many cases a lack of continuity of supply is unavoidable due to the seasonal nature of the product, however, where possible producers should take steps to minimise production discontinuities. Consumption of quality products is greatest in the study regions indicating scope for wider distribution beyond the local area.

Conclusions and Recommendations

The most important points emerging from the above results are:
1. Consumers use both objective and subjective attributes in defining quality products.
2. Region of origin is an important consideration for two out of three consumers when deciding to buy quality products.
3. Regional imagery can function as a subjective source of quality differentiation for niche producers.
4. In Ireland, links between region and quality products are under-developed.

This section provides some recommendations on how to further develop these linkages to improve the competitiveness of companies located in rural areas, whilst recognising some of the constraints that exist.

There are two main difficulties involved in creating an effective image to promote a place. The first lies in establishing a distinct image when so many places have comparable attributes. The challenge is to undertake 'the burden of isolating what is unique to individual places within the same country and even within the same region (Burgess, 1982, p. 6). The second lies in assessing the effectiveness of such campaigns, given the fact that perceptions are moulded by many different influences and stereotypes are resilient and long lasting. Ilbery and Kneafsey (1998) state that 'given the complexity of inputs into consumer knowledge (about products, ingredients and their origins), it is difficult to assess the degree to which place marketing strategies are successful'. An additional challenge may lie in constructing an image

that suggests potentially contradictory attributes such as tradition and dynamism, remoteness and accessibility, authentic food production methods and modern safety/hygiene standards (Ilbery and Kneafsey, 1998).

Emphasising small-scale production methods and handcrafted skills can contribute to improved competitiveness. However, products differentiated solely on the basis of these attributes (e.g. “home-made preserves” are viewed as near commodities and do not attain the price premiums commanded by brands associated with their producer. Furthermore, emphasising regional links will only contribute to growth when the products coming from the regions are of intrinsically superior quality. Therefore, in the marketing of regional quality products, region of origin should be linked to a quality certification programme as official certification plays an important role in helping consumers judge quality, although few consumers actually understand what certification involves. If this verification of quality were undertaken by an independent agency, it would be particularly valuable. Producer groups may have a role in monitoring subjective dimensions of food quality (Cawley et al, 1999). This would allay niche producers concerns about retaining individuality and exclusivity.

While the research has shown that consumers’ constructions of quality are very complex, it also indicated that consumers are willing to pay a price premium for quality products that conform to their own quality standards. Pricing strategies for quality products therefore need to reflect consumer expectations and willingness to pay a higher price for quality products. Low prices could detract from the quality image of the product so that a premium price should form part of the positioning strategy of quality products.

Accessibility of quality products is critical to purchase. In many cases, a lack of continuity of supply is unavoidable due to the seasonal nature of the product, however, where possible producers should take steps to minimise production discontinuities. Producer groups again could have a role to play through co-ordinating supply on a more continuous and regular basis than is possible for an individual. The fact that consumption of quality products is highest in the study regions where they are relatively easily accessible indicates scope for wider distribution beyond the local area.

> The importance of retailers as a source of purchase as well as a reliable source of information for quality products emphasises the need for trade as well as consumer marketing for quality products. Retailers need to be actively ‘cultivated’ by producers and supported to encourage consumer product sampling and trial.

The growing Irish economy creates an excellent environment for the growth of quality products. This demand is both within the production regions as well as the urban centres. Maintaining a regular supply within a large number of retail outlets poses a significant challenge for niche producers. However, the introduction of centralised distribution by some Irish retailers may reduce this problem by enabling producers to make a single delivery with on-ward distribution to a number of shops.

Given that many Irish consumers identify with Ireland as a single region rather than a number of sub-divisions, it is debatable whether extensive territorial linkages should be developed at a sub-country level. If such sub-divisions are developed, they need

to be relevant to their target market and consumers must be able to identify with them. Furthermore, if a large number of such sub-divisions were created, care must be taken to avoid unnecessary competition, duplication of effort and inefficient utilisation of resources due to lack of scale.

Territorial linkages may be appropriate for regions with already strongly developed, and somewhat unique, images, e.g. West Cork, Connemara, etc. These may be useful for the promotion of quality products in the export market as well as the domestic market. However, such sub-national promotion should be complementary to, rather than in competition with, with national level promotion. Where quality marks are used, their meaning must be clearly communicated to consumers.

Given the potential to link quality products with a region, producers from within that region, however it is defined, need to ensure that they do everything they can to preserve and enhance that image. They also need to be aware how others can contribute to that image and where possible influence them to develop that image in a positive manner. For example, they could seek financial support from larger scale producers from within the region on the basis that they (the niche producers) are developing a positive image that could also benefit the larger processors.

Given that the development of effective images involves costs that are frequently beyond the means of small area based development groups or individual entrepreneurs, collaboration between groups of producers should be encouraged by small food business support agencies. Evidence of collaboration in creating a regional image is forthcoming in the case of Fuchsia Brands Ltd. This and other examples may provide models that might be followed more widely.

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Farmhouse Cheese Producers (Case Study)

Peter and Anita Thomas
Farmhouse Cheese Producers, Co. Louth

Background on Speakers

Peter Thomas is a native of Glasgow and moved to Ireland in 1977. He is a printer by trade, and he established and successfully ran a small printing firm from 1983 to 1993 in Donegal town. He has always had a keen interest in business and saw an opportunity to develop a specialised cheese product after he moved to Co. Louth. He undertook a variety of courses to obtain the necessary skills to become a cheesemaker. He established *Glydefarm Produce* with his wife Anita in 1996. Commercial production of *Bellingham Blue* cheese commenced in May 2000.

Anita Thomas is a native of Co. Louth, and comes from a family with a long history in dairying. She has always had a keen interest in the food industry and completed a B.Sc. in Food Science in U.C.C. in 1985. She has also completed a variety of specialised courses relevant to the cheesemaking business. Most recently she has graduated from the University of Ulster, Jordanstown with an M.B.A., in 2000.

The Idea

Peter came up with the idea of creating *Bellingham Blue* largely at a time when there was much publicity in the 1990's about Ireland's reliance on liquid milk production rather than having a diversified dairy industry. He felt that a niche product could be created from the quality milk being produced on Anita's family farm.

Getting Started - Market Potential?

We knew from desk research that the Farmhouse Cheese industry was one which was rapidly expanding over the past number of years. This coupled with the fact that the social changes taking place in Ireland in the 90's, meant that people were more willing to accept or try out different foods, and also could afford niche products. We embarked on extensive market research to identify which variety of cheese would fill a true market gap.

Things to consider were:

- Time to Market,
- Ease of production,
- Ease of Distribution
- Training required,
- Equipment and Building requirements,
- Funding

We spent several months seeking out opinion in the retailing sector as to what the market wanted and was currently lacking. We visited the large supermarkets such as Superquinn, Tesco etc., and also solicited information from the owners and counter

staff in speciality food shops and delis. We found that people were very forthcoming with information. We also took note of the product profile present in the sector. We also visited many of the established cheese-makers.

Although 3 varieties of cheese were identified as having good market potential, a *blue cheese* was selected as having most, and we then set about developing the product.

Product Development

We realised that although Anita had experience of working in the food industry and also Food Science qualifications, further training would be required in the specific skills required to get established in the cheese-making industry. We both completed the cheese-making course in Reaseheath Agricultural College in Cheshire and followed this up with other short courses including: Cottage Industry course , Food Hygiene (both provided by Teagasc), H.A.C.C.P.(U.C.C.), Dairy Technology (Reaseheath), Start your own Business (FÁS), Marketing, (Louth Enterprise Board).

At this time we also went to Teagasc's Research Centre at Moorepark, Fermoy, where the initial product development was carried out under the expert guidance of *Mr. Eddie O'Neill*.

We established a taste panel using friends and associates who we knew to be blue cheese lovers. This was to get initial customer feedback so that we could fine-tune the recipe.

Funding

We prepared an initial Business Proposal, which enabled us obtain a feasibility study grant (Co.Louth Enterprise Board) to assist us during the research phase. Using the information obtained, we then were in a position to prepare a detailed business plan.

We obtained grant aid from Louth Leader for the capital investment in building and equipment and we also invested personal savings. FAS provided funding for many of the courses we attended.

Support

Although there is definitely market potential for developing niche and speciality food products in Ireland, it is not particularly easy to establish a successful business. We found that both financial and personal support essential, in getting our business up and running. Many unforeseen circumstances can happen along the way. It took us much longer than expected to get the business established and to be ready to launch a product. Much "red tape" surrounds the drawing down of certain grants, and this is a major obstacle with delicate cash flow. We in hindsight should have employed the services of an accountant to help with financial planning at an earlier stage of business development!! The Foot and Mouth outbreak in 2001 also set production back by several months.

We would like to acknowledge at this point the importance of the support we got from Teagasc, and in particular from Mr.Eddie O'Neill (Food Technologist, Teagasc Moorepark) and Mr.Jim Malone (Rural Development Officer, Teagasc Dundalk). It was critical to our success in establishing a small business, that these people were in a position to be available to us, providing advice and support, during critical periods of the project.

We also wish to thank Bord Bia, whose programme "Marketing Improvement Assistance Programme" was invaluable to us, after the set back in business we experienced in the aftermath of the Foot and Mouth outbreak. The staff showed great understanding of the problems we encountered, and their assistance was greatly appreciated.

Success to Date

Bellingham Blue has enjoyed excellent growth since its launch in 2000. It improved sales by 25% from 2000 to 2001 despite only having production severely curtailed because of Foot and Mouth.

It is available primarily from all Superquinn outlets and Sheridan's Cheesemongers in Dublin. In Northern Ireland it is distributed by the specialist food business, Moyallen Foods.

Bellingham Blue has won a number of international accolades. It was judged "Best New Dairy Product" two months after its launch in 2000, at the International Nantwich Show in England. It also won the Sainsbury Champion Trophy at this show. In 2001, it won a "Gold Medal" Award at the prestigious British Cheese Awards. It also has been given a recommendation in the latest edition of food writers John and Sally McKenna's, Bridgestone Food Guide.

The Future

Market opportunity exists for *Bellingham Blue* in the U.K. and in the U.S.A. Market penetration in these locations will be essential for the future growth of this product.

During 2002, we also plan to develop a second cheese product with a faster maturation time, again concentrating on niche characteristics.

Fuchsia Brands Ltd (Case Study)

Ivan McCutcheon
Fuchsia Brands Ltd., Clonakilty

Regional branding is increasingly recognised as a valuable aid to regions in marketing their products, capturing higher value added and building supply chains to access international markets. Fuchsia Brands Ltd. is a regional branding initiative for the West Cork region. It incorporates quality food and tourism products. The initiative was devised and implemented by West Cork LEADER Co-operative in partnership with the local food and tourism sectors, the National Food Centre, CERT and Bord Fáilte.

The LEADER programme, first launched in 1992 and now in its third phase, offered local areas a real opportunity to devise and carry out integrated area based strategies. Local groups could for the first time control significant funding over a reasonably long period of time and so could follow through on the implementation of their proposed strategies. Furthermore, this funding was not intended to replace mainstream interventions – i.e. it was additional to other supports and not provided to plug gaps or solve all the problems in the area. This allowed groups more freedom to focus on particular strategies.

An Area Based Strategy for West Cork

West Cork has for a long time attracted a broad spectrum of tourists to its rugged coastline and colourful villages. It also has an established tradition of food production from larger enterprises, particularly the agricultural co-ops, through small-scale artisan producers down to part-time farmhouse production. One of the main challenges facing the area was the decline in economic activity as agricultural employment continued to fall, this coupled with the consequent loss of local services led to a continual drain of population to the cities.

The food and tourism sectors were identified as key strengths that were critical to combating the fallout from agriculture. Both lent themselves to rural locations and could be compatible with existing farm enterprises. Whilst diversity in the local food sector was an important factor contributing to its dynamism, it was also an obstacle to concerted strategic action in the sector. Hence the initial plan that West Cork LEADER Co-operative submitted in 1991 emphasised the organisation of these producers “so that they are capable of exploiting indigenous resources through target marketing thus making optimum use of resources”. The development plan also set “the long term objective of establishing a West Cork Brand”.

For LEADER II the development of the brand was chosen as the flagship project. The objective was to build a branded identity that would exploit the market potential offered by the positive associations held with the West Cork name. The brand image would thus emphasise the clean unspoilt environment, as well as the richness and diversity of the area’s heritage, culture and landscape. Excellence and quality in production or service delivery would be the cornerstones of the brand.

To represent the brand the fuchsia flower was chosen as the centrepiece of the logo. This simple image was instantly recognisable and had long been associated with the region.

Implementation

To strengthen their argument in persuading the local players West Cork LEADER Co-op commissioned market research to test the concept and the proposed logos among selected consumer groups. The response was encouraging. West Cork LEADER Co-op proceeded to set up a separate legal entity to implement the initiative - Fuchsia Brands Ltd. This incorporated the three strands of the initiative – food producers, tourism providers and organisations, and the LEADER group.

Fuchsia Brands Ltd. immediately set about defining eligibility criteria for use of the brand. For food producers this involved input from the National Food Centre in devising a Code of Practice and an audit document. As a minimum requirement all food producers had to implement a HACCP food safety system. To facilitate this West Cork LEADER Co-op and the National Food Centre developed a modular training programme and offered it to all food producers in the area. This has proved very popular and is a key source of new entrants to the branding initiative. To date 5 courses have been completed, with over 60 producers having completed the programme. A further 12 producers are currently in training.

The brand was launched commercially in 1998 with 26 food producers and 17 tourism providers sanctioned to use the logo. Over the course of the LEADER II programme West Cork LEADER Co-op channelled close to IR£2m into the initiative in various supports to Fuchsia Brands Ltd. and its member companies – capital, training, marketing and research. The brand scheme has proved very successful from the LEADER perspective in that it is an integrated support structure. Rather than being a grant giving agency the LEADER group enters into a long term relationship with it clients and can tailor an array of supports to their needs. In the first 18 months of the initiative the participating companies recorded 135 new jobs created.

Fuchsia Brands Ltd. was also successful in attracting financial support from the local corporate sector. This was required as matching finance for a range of joint marketing activities. To date these have included publishing a range of promotional publications, incorporating the logo on packaging/signage, participation in local, national and UK trade & consumer events, retail liaison, retail promotions and media campaigns. Individual companies have availed of support to upgrade packaging, develop and launch new products and incorporate the brand logo into their marketing.

Achieving a critical mass has been important in enabling Fuchsia Brands Ltd. to undertake a range of marketing activities. By February 2002 there were 41 food producers and 67 tourism providers approved to use the brand. Regular market research has demonstrated that the brand has achieved strong levels of awareness though much remains to be done – 67% in West Cork and 35% in Cork city. Where used effectively by producers it can differentiate from competing offerings.

At present only the food producers have moved to a paying member status, as this was seen to be the sector in which the strongest benefits were being delivered. It is anticipated that future growth in numbers will come largely from the tourism sector. West Cork LEADER Co-op also plans to extend the brand to complimentary sectors in which the use of regional identity can offer a competitive advantage. Consultation on this has begun with the local craft sector.

Current Objectives & Strategies

The transition to a fee-paying scheme has increased the challenge for Fuchsia Brands Ltd. It must now deliver benefits to each of its very diverse group of member businesses. This poses a challenge in clustering companies for particular strategies. For 2002 Fuchsia Brands Ltd. has set itself 11 different objectives on the basis of which a strategic plan has been adopted.

1. Raise brand awareness, particularly outside of its own area. Position West Cork as Ireland's prime speciality food producing region.
2. Improve access to, sales in and relationships with the key retail multiple groups and stores.
3. Increase use of branded local produce in the food service sector in Cork and Kerry.
4. Develop alternative sales channels for products not suited to mass retail.
5. Improve and promote quality in terms of sensory attributes, consistency, and presentation of branded produce.
6. Recruit new members, particularly where these fill product gaps and/or compliment existing range.
7. Support and promote new product development among members.
8. Develop revenue stream for Fuchsia Brands Ltd.
9. Promote effective use of new technology among client companies
10. Promote environmental best practice among client companies
11. Facilitate and encourage networking among members for exchange of information, technology and commercial relationships.

Future Considerations

To date the development of the regional brand has largely been undertaken by the LEADER group. The current programme LEADER + will run to 2006, during this time a key challenge will be to put the initiative on a self-financing basis. Central to this challenge is the balance that must be struck between the commercial and development aspects of the initiative. This is potentially very divisive – the larger companies with the potential to make the most significant contribution are focused on traditional mass retail channels. At the same time some of the smaller artisans, who are central to the brand's credibility, are loosing out in the supermarkets to cheaper products.

Critical Success Factors

- Mobilising the population and social cohesion

West Cork LEADER Co-op was central to setting up and/or mobilising the bodies needed to devise and implement the branding initiative. The food and tourism

sectors, which were previously fragmented, now have a framework for strategic co-operation.

- Use of the area's resources and identity

West Cork already had a strong identity as a region. Market research found that it Ireland it was second only to Connemara as an identifiable sub-county region. It also had a strong tradition of food production and a significant number of enterprises.

- Creation of a brand

The creation of a brand has allowed the group to add value to an already strong product range. For customers who recognize the logo it appeals by its connection to the identity of the region and is an assurance of quality. Maintaining these standards and ensuring consistency in marketing is essential to the brand.

Economics of Forestry as a Farm Enterprise in a Rural Development Context

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Abstract

This paper examines the role of forestry in the context of the socio-economic viability of rural areas. Since Ireland has a low forest cover in comparison with the rest of Europe government has set a post 2000 planting target of 20,000 hectares per annum. Approximately 50 per cent of this is being achieved. Because of the emphasis given to extensification and environmental payments in the Agenda 2000 CAP reform, surplus land that could be available for afforestation is confined to the west. The up-front forestry grant has the biggest influence on the rate of afforestation. Optimum resource use in rural areas in socio-economic decline involves: afforestation on rough grazing, the availability of local off farm job opportunities and extensive farming. High levels of off farm wages increase the competitiveness of forestry *vis-a vis* livestock. Post 2007 decisions on decoupling could have a major influence on the relative competitiveness of forestry and livestock.

Introduction

Ireland has the lowest forest cover in the European Union at 9 per cent compared with an average of 31 per cent for the European Union as a whole. Against this background the Government adopted an afforestation target of 25,000 ha to the year 2000 and 20,000 ha annually thereafter. Substantial financial incentives were put in place and initially there was a positive response from farmers. By 1995 the Government's target was almost achieved. However since then the level of new planting, though higher than pre-1988 levels, has declined to about half the intended target. Approximately one quarter of a million hectares of forest has, nevertheless, been planted since 1980.

Surveys (Frawley and Leavy 2001) have shown that most farmers do not view forestry as a substitute for established farm enterprises. In the majority of situations the previous land use of planted sites was either summer grazing or rough grazing. In addition the soils involved were agriculturally marginal. It is likely therefore that the impact of forestry on farm output in past circumstances was quite low. This confirms the conclusions of Blom *et al* (1990) that forestry was only a definite competitor for land classified as rough grazing. However because livestock need to qualify not only for the higher level of extensification but also for REPS payments in the post agenda 2000 situation there is now more competition for land between forestry and livestock.

This paper examines

- the existing situation on afforestation by county and by DED

- the factors that influence the level of planting in Ireland, and
- the role of forestry in promoting the socio-economic sustainability of the rural areas of Ireland.

Methodology

(1) An analysis is carried out of the existing forest cover by District Electoral division (DED) and the potential availability of land for forestry from data available from the forest service

(2) Panel level regression analysis at county level is used to establish the important factors influencing the level of forestry planting (McCarthy, (2001). The dependent variable is the annual level (ha) of private afforestation (farm and commercial) in each county for the period 1982-1999. Independent variables used are: Forest market margin, Forest planting grant, Forest premia, Agricultural Gross Margin and Area entered in REPS.

(3) An examination of resource use in areas with a history of serious decline in employment and population is carried out by means of mathematical programming.

Results

(1) Existing Situation

In 1999 approximately 625,000 hectares was forested (Figure 1). Wicklow (20 per cent) has the highest proportion of land area forested. Other counties with relatively high proportions of forest cover are Waterford (16 per cent), Laois and Leitrim (14 per cent), Clare (13 per cent), Donegal (11 per cent) and Tipperary and Sligo (10 per cent). Counties with lowest forest cover tend to be situated in the northeast. Meath (2 per cent) has the lowest forest cover. Louth and Monaghan have 4 per cent while Kildare, Cavan and Longford have a forest cover of 5 per cent. Since 1980 Clare and Leitrim has had the highest rate of expansion in forestry area. With the exception of Wicklow, lowest rates of planting occurred in eastern counties and in Galway. The rate of planting is increasing in low forest cover lowland counties in recent years (Leavy 2001).

Figure 1

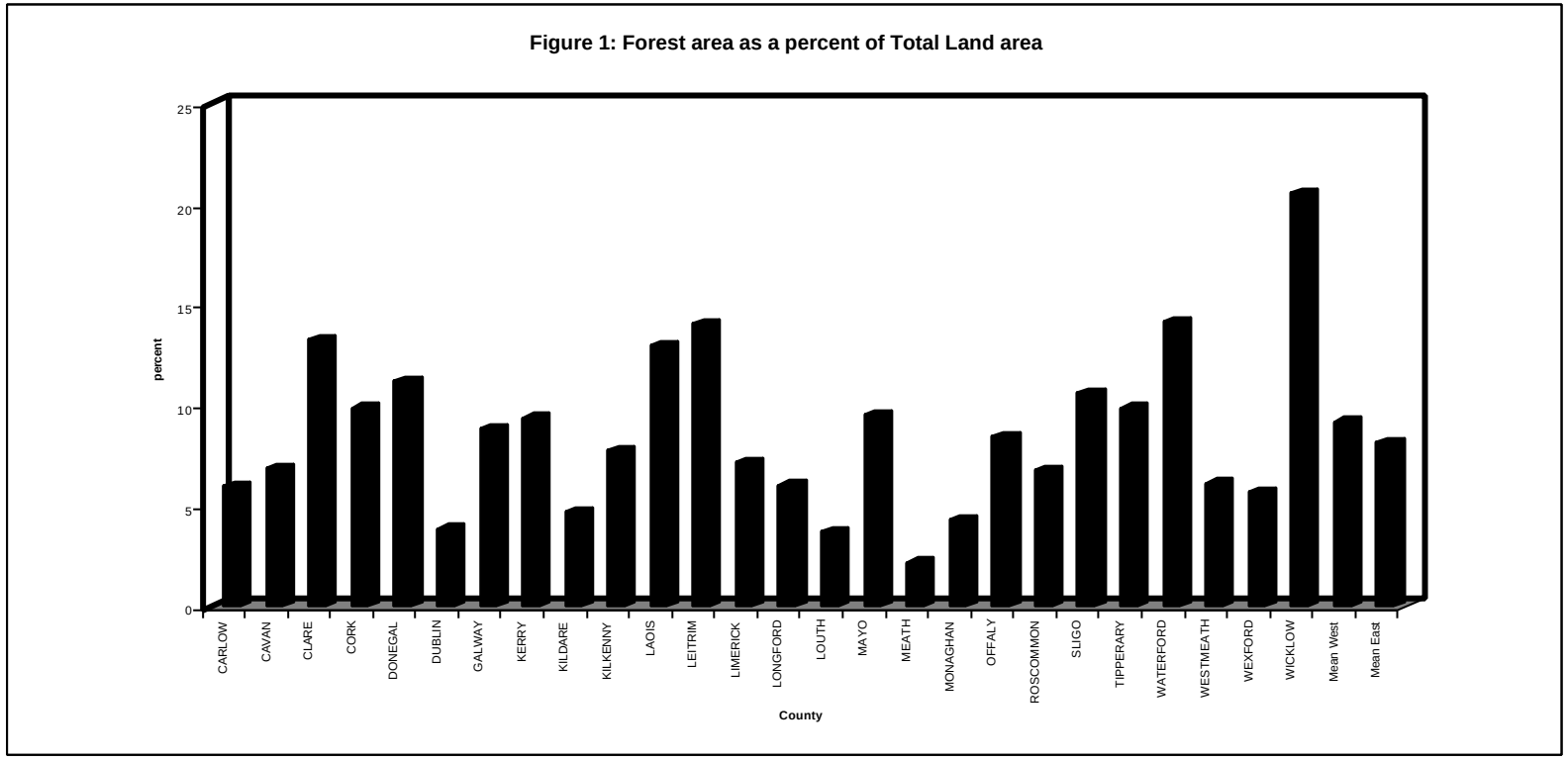
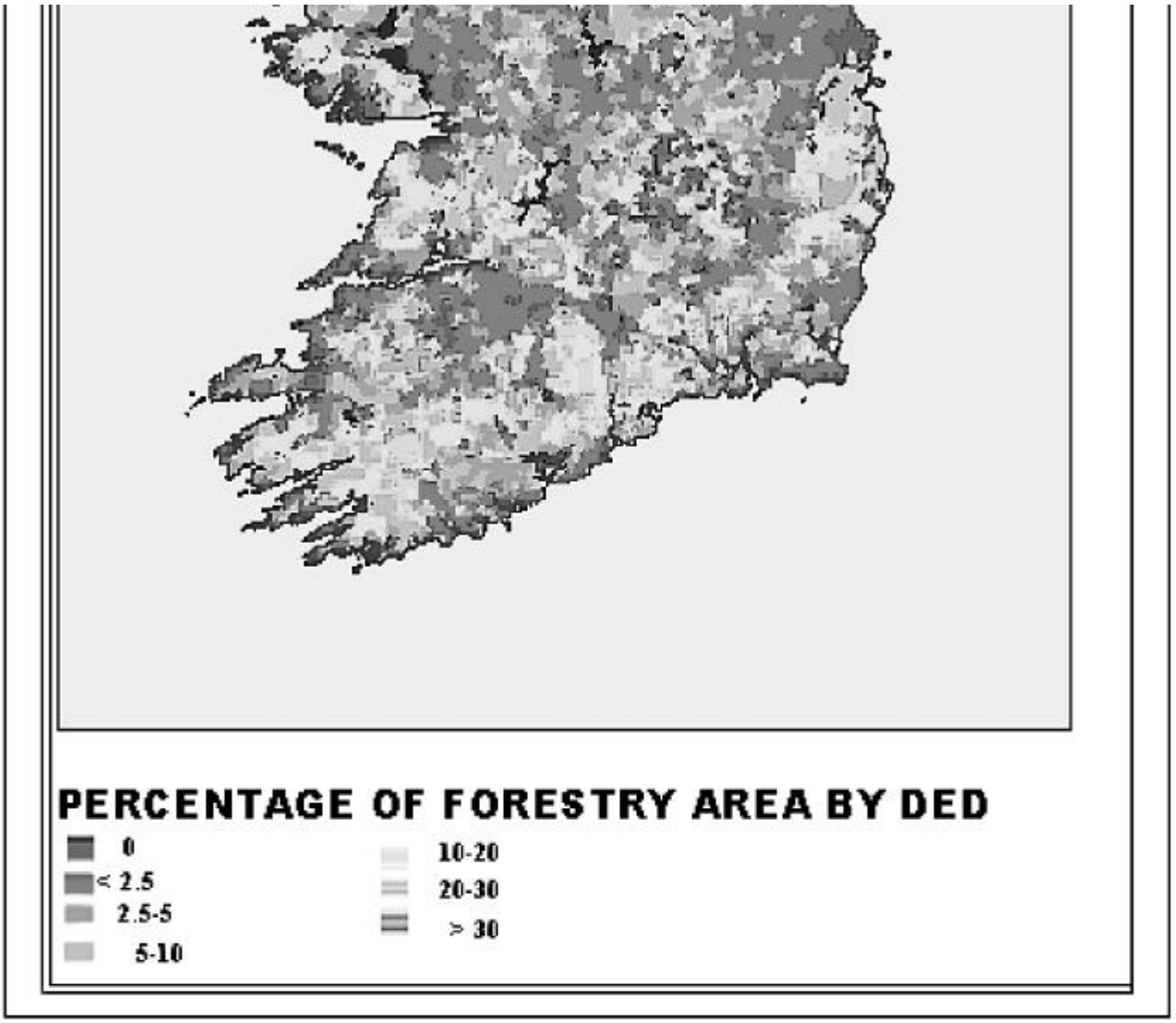


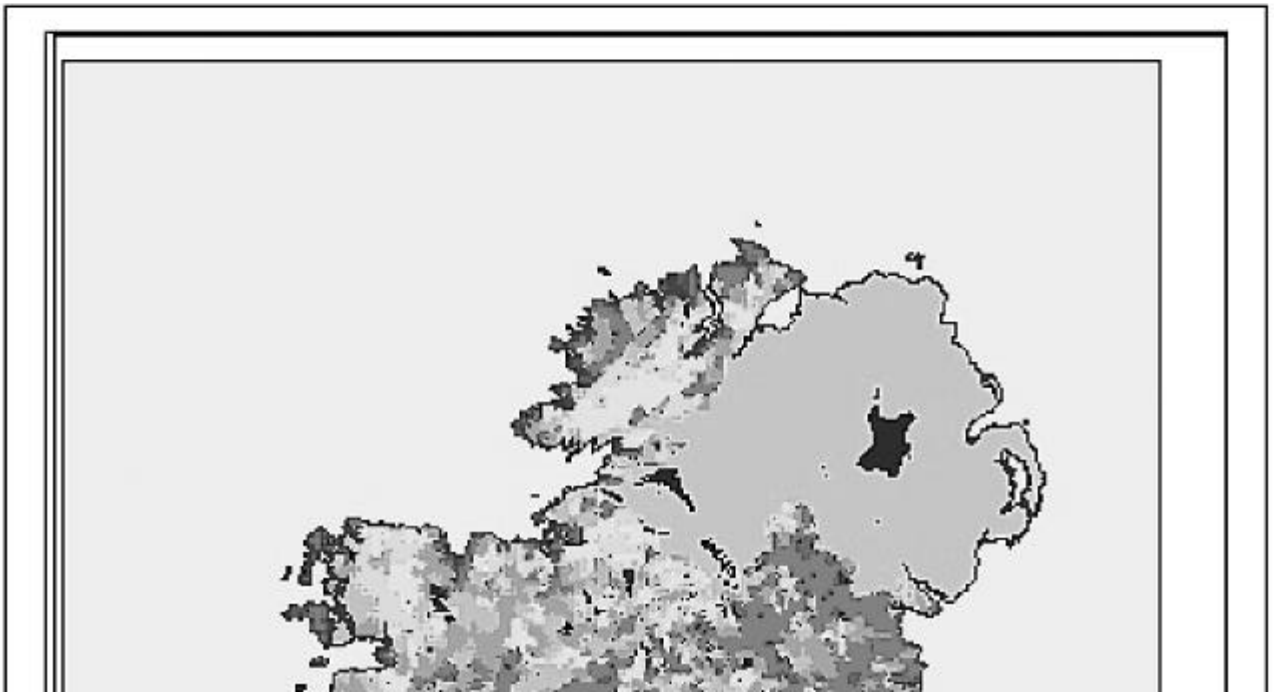
Figure 1: Forest area as a percent of Total Land area
percent
25
20
15
10
5
0
CARLOW
CAVAN
CLARE
CORK
DONEGAL
DUBLIN
GALWAY
KERRY
KILDARE
KILKENNY
LAOIS
LEITRIM
LIMERICK
LONGFORD
LOUTH
MAYO
MEATH
MONAGHAN
OFFALY
ROSCOMMON
SLIGO
TIPPERARY
WATERFORD
WESTMEATH
WEXFORD
WICKLOW
Mean West
Mean East
County

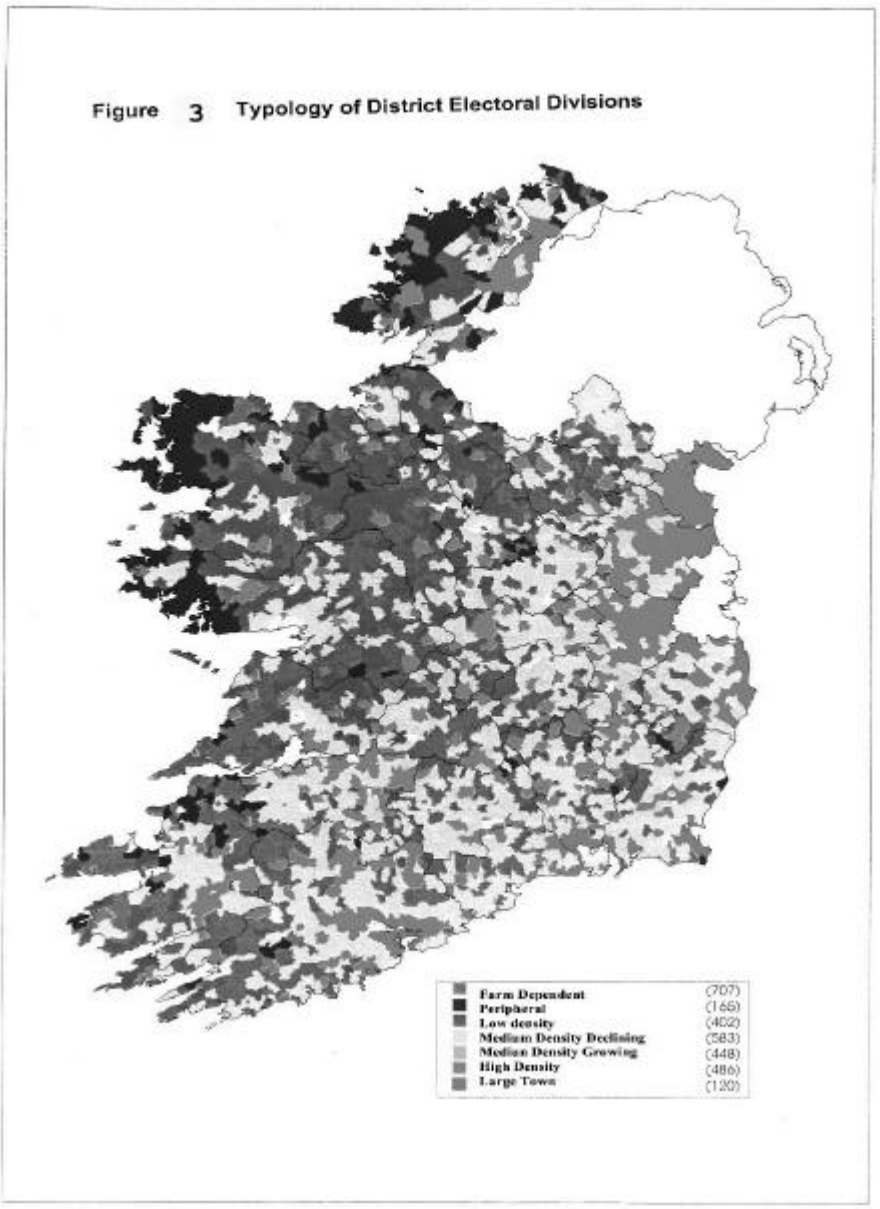
Forest cover by DED is shown in Figure 2. DEDs with less than 10 per cent cover are shown in red or pink with zero forestry cover shown in dark red and the lighter colours showing the higher rates. DEDs with higher than 10 per cent forest cover are shown in green. The darkest shade of green shows DEDs with over 30 per cent cover. Progressively lighter shades of green show DEDs with 20-30 per cent and 10-20 per cent forest cover.

There are a number of relatively large areas with greater than 10 per cent forest cover having an inner core with over 30 per cent. These include areas in Wicklow, north Clare, north Leitrim/Cavan, south Donegal, north Mayo, west Galway, the Cork/Kerry border and an area covering parts of west Waterford/ north east Cork/ south Tipperary.

The largest area showing red (i.e. having less than 2.5 per cent forestry cover) includes Kildare, Meath, north Dublin, Louth, Monaghan and east Cavan.


PERCENTAGE OF FORESTRY AREA BY DED
0
< 2.5
2.5-5
5-10
10-20
20-30
> 30





A summary of the socio-economic situation by DED is depicted in the accompanying map (Leavy 2001) (Figure 3). Areas coloured red, brown or pink are medium to high population density areas. They have gained both population and employment and could be said to be socio-economically healthy. These areas are classified into 1. Urban/Periurban, 2. Growing, High Density Rural and 3. Growing, Medium Density Rural areas respectively.

In contrast areas depicted in light blue, green, blue and navy blue, are areas of lower population density. They have experienced socio-economic decline in the 1971 to 1996 period. These areas are classified into 4. Declining, Medium Density 5. Declining, Farm Dependent 6. Declining Low Density and 7. Declining Peripheral respectively.

Areas of socio-economic decline are more prevalent in the west and northwest while socio-economically viable areas predominate adjacent to urban areas mainly in the east and south. Table 1 shows the proportion of land area covered by forest in each of the different types of rural areas described above.

Table 1: Percentage of Forest Cover in Different Types of Rural Area 1999

Area Type	Percentage of Forest Cover
Urban/Periurban	6.2
High Density Population Growing	6.1
Medium Density Population Growing	6.8
Medium Density Population Declining	8.5
Farm Dependent Declining	8.6
Low Density Population Declining	9.2
Peripheral Declining	8.9

Source: Forest Service, Johnstown Castle, Wexford

Areas in which population and employment are declining have higher than average forest cover. Low density declining (9.2 %), Peripheral (8.9%) and Farm dependent (8.6%) areas have the highest forest cover. These are followed by Medium density declining areas (8.5%). Areas in which population and employment are growing have lower forest cover. Medium density, Urban/Periurban and High density growing have 6.8, 6.2% and 6.1% forest cover respectively.

The potential availability of land for forestry in the different types of rural area is shown in Table 2. The figures in Table 2 give the mean stocking rate in livestock units per hectare for each type of area. Area types that have a stocking rate lower than 1.4 livestock units per hectare (the stocking rate at which higher level extensification premia are paid) are deemed to have surplus land.

Table 2: Potential Availability of Land for Forestry

Area Type	Stocking Rate LU/ha	Area Surplus hectares
Urban/Periurban	1.56	0
High Density Population Growing	1.60	0
Medium Density Population Growing	1.57	0
Medium Density Population Declining	1.63	0
Farm Dependent Declining	1.51	0
Low Density Population Declining	1.23	70,576
Peripheral Declining	1.23	25,575

Source: Small Area Statistics 1991, Central Statistics Office

Most area types have stocking rates above 1.4 livestock units (LUs) per hectare and consequently are not deemed to have surplus land. These vary from 1.63 LUs per ha in Medium density declining areas to 1.51 in Farm Dependent areas. Two types of declining area have surplus land. These are low density and peripheral areas with

an estimate of 70,576 and 25,575 hectares surplus respectively. On this evidence approximately 100,000 hectares of land could be sown to forestry without affecting livestock stocking rates. This land is mostly in the western region

(2) Factors Influencing Forest Planting

Regression analysis on planting data by county over the period from 1982 to 1999 shows that forest planting grant, forest premia, forest market margin and area under REPS have statistically significant effects on the level of private forest planted (Table 3). Since forest planting grant is an up-front payment, it has bigger marginal effect than forest premia which are paid over a number of years and forest market margin most of which accrues at the end of the rotation. The level of agricultural gross margin does not have a statistically significant effect on level of forest planting.

Table 3: Regression Estimates for Private Afforestation

Variables	Coefficient	Significance at 1%
Forest Planting Grant	2.83	***
Forest Premia	2.12	***
Forest Market Margin	0.03	***
Agric. Gross Margin	-0.02	
Area Entered in REPS	-0.02	***

Source: The Factors Influencing the Level of Forestry in Ireland , S. McCarthy (2001)

The figures in Table 4, which show marginal effects, indicate that increases in planting grant are twice as effective as similar increases in premia and over twelve times as effective as similar increases in forest market margin. On the basis of an increase of 21 hectares for every euro increase in grant, the recent increases in planting grant of approximately 435 euro could increase planting by approximately 9,000 hectares. The large increase in REPS area in recent years was also a statistically significant factor in explaining area planted to forestry and in particular in explaining the decline in planting since 1995. As the total area under REPS is currently 1.3m hectares a decline of 20 hectares of forest per 1,000 hectares of REPS would account for 26,000 hectares of the underplanting since 1995.

Table 4: Marginal Effects of Statistically Significant Variables

Variables	Marginal Effects
Forest Planting Grant	21 **(a)**
Forest Premia	10 **(a)**
Forest Market Margin	2 **(a)**
Area Entered in REPS	-20 **(b)**

Source: The Factors Influencing the Level of Forestry in Ireland, S. MacCarthy et al (2001)

(a) Number of hectares of forest planted for each euro increase in receipts from each source

(b) Decline in the Number of hectares of forest planted for each 1,000 hectare increase in area devoted to REPS

The importance of the planting grant and premia in forestry and of direct payments in livestock in the relative competitiveness of these enterprises is demonstrated by the figures in Table 5.

Table 5: Percent of Farm Enterprise Income derived from Direct Payments(a) and Forest Net Present Value derived from grants and premia(b).

Enterprise	Percent
Dairying	20
Dairying/ Other	50
Cattle Rearing	120
Cattle Other	124
Mainly Sheep	121
Tillage Systems	74
All Agricultural Enterprises	68
Forest 5% discount	90
Forest 10% discount	144

Source: (a) National Farm Survey 2000, Teagasc
(b)Author's estimates

Direct payments account for more than 120 per cent of income in cattle and sheep enterprises. The position in forestry is influenced by discount rate. At a discount rate of 5 per cent 90 per cent of Net Present Value (NPV) derives from grants and premia while at 10 per cent discount rate this rises to 144 per cent.
The competition between forestry and livestock for agricultural land is also influenced by the opportunity cost of farm labour. Frawley and Leavy (2001) concluded that, in situations in which off farm jobs are either not available or are available at a low wage rate, extensification and REPS payments enable livestock enterprises to compete with forestry. However, in situations in which future off farm wages increase in real terms forestry begins to compete with cattle and sheep enterprises for 'good' land. In this study the levels of off farm wages are assumed to retain present values.

(3) Resource Use Analysis
The role that economic utilisation of indigenous resources can play in improving socio-economic viability of declining areas was investigated using mathematical programming in Leavy (2001). In this analysis three types of area, Farm Dependent, Low Density and Peripheral from the analysis described above, were taken to represent declining areas.

The following tables display the results of the analysis of two scenarios comparing the pre CAP reform situation with a post CAP reform situation in which resources are utilised optimally. The two scenarios include two alternative levels of off-farm wages. These are the average industrial wage (£7.77/hour) and the minimum wage (£4.4/hour) as at November 1999. These are shown as Ind. and Min. respectively in Tables 7 and 8. They were assumed to hold their real value in 2007. The assumption is that the 1999 CAP reform agreement (Agenda 2000) is fully implemented and that off farm jobs will be available in the post reform scenarios.

Pre-CAP reform livestock gross margins used in the analysis were taken from the Teagasc publication Management Data for Farm Planning. Post-CAP reform returns were taken from the FAPRI (Ireland) model. Twenty per cent diverse conifers (Sitka Spruce), at yield class 20 and 40 year rotation, was the forestry enterprise used in all scenarios. All livestock enterprises were included at a high level of efficiency. All assumptions were identical to those in Frawley and Leavy (2001).

Table 6 shows changes in resource utilisation at DED level between the actual situation pre reform and in post reform scenarios. Since off farm wages are assumed not to increase in real terms optimum solutions are robust and do not change with the two levels of off farm labour used in this study. Table 6, therefore, shows one solution for both post reform scenarios. This would not be true if the value of wages and salaries in the general economy increased in real terms to levels significantly above present levels.

In Farm Dependent areas an average of 45 labour units worked on farms pre reform. This would be reduced to 32 in 2007. The number of labour units involved in forestry increased from 1 to 2. A total of 71 labour units worked off farm in the pre reform situation. This would increase to 94 in both 2007 scenarios. A decline of 11 in the number of unemployed is part of this increase. With the spread of forestry to rough grazing the agricultural land area would decline from 1,526 to 1,282 hectares. The forestry area would increase by similar area from 200 to 444 hectares. Due to an increase in milk yield fewer cows are needed to produce the available quota. These decline from 534 to 417. Drystock numbers decline from 1655 to 1384 LUs. Crop area is maintained and stocking rate is reduced from 1.51 to 1.40 LUs per hectare in order to qualify for extensification premia and REPS.

In Low Density areas the number of labour units in farming would decline from 38 pre reform to 24 post reform. As a consequence of the increase in forestry area the number of labour units increase from 1 to 3. Those working off farm would increase from 89 to 117. A decline of 16 in the number of unemployed is included in the latter figure. As in the Farm Dependent situation the area of agricultural land declines from 1,395 to 1,047 hectares due to the transfer of the area under rough grazing to forestry. The forestry area would thus increase from 248 hectares to 596 hectares. Dairy cow numbers decline from 183 to 138 due to higher milk yield and drystock numbers decline from 1,524 to 1,331 LUs. Crop area is maintained and stocking rate is increased from 1.23 to 1.4 LUs per hectare. This ensures qualification for extensification payments and REPS.

In Peripheral areas the number of labour units working on farms would decline from 29 pre reform to 17 post reform. As a result of the increase in forest area the number of labour units working in forestry increases from 2 to 4. The number working off farm would rise from 126 to 191. A decline of 55 in the number of unemployed is included in the latter figure. As in Farm Dependent and Low Density areas the area of agricultural land would decline from 1,122 to 669 hectares in the Peripheral areas due to the transfer of rough grazing to forestry. Forest area would increase from 300 to 752 hectares as a result. Dairy cow numbers would decline from 182 to 142 and drystock would decline from 1,172 to 796 LUs. Crop area would be maintained and stocking rate would increase from 1.23 to 1.40 LUs per hectare. As in previous situations this ensures qualification for extensification and REPS.

Table 6: Resources Pre Reform and Post Reform

	Farm Dependent		**Low Density**		**Peripheral**	
	Pre reform	Post Reform	Pre Reform	Post Reform	Pre Reform	Post Reform
			Labour	**Units**		

Farm	45	32	38	24	29	17
Forest	1	2	1	3	2	4
Non Farm	71	94	89	117	126	191
Unemployed	11	0	16	0	55	0
			Land (hectares)			
Agricultural Area	1,526	1,282	1,395	1,047	1,122	669
Rough Grazing	244	0	348	0	453	0
Forest	200	444	248	596	300	753
			Livestock / Crops			
Dairy Cows	534	417	183	138	182	142
Drystock (L.U.s)	1,655	1,384	1,524	1,331	1,172	796
Stocking Rate LU/ha	1.51	1.4	1.23	1.4	1.23	1.4
Crops (hectares)	73	73	12	12	20	20

A summary of the above is that, in a scenario of economic optimisation, livestock numbers would decline in all post reform scenarios and in all types of declining rural areas examined. This reflects the spread of forestry to all areas of rough grazing. The improvement in milk yield also reduces the cow numbers necessary to produce the available quota. Stocking rate is such that the area qualifies for both extensification and REPS in all scenarios and in all types of area.

Changes in revenue in euros pre and post reform are shown in Table 7. These are derived from the more optimal use of resources in the latter year. In Farm Dependent areas total revenue (euro) would increase from 2.57m to 3.28m and 1.97m to 2.49m under the industrial and minimum wage assumption respectively. Farm revenue would increase from 1.11m in 1991 to 1.29m in 2007. Non farm revenue would increase from 1.38m to 1.83m and from 0.78m to 1.04m under the high and low wage assumption respectively. Forestry revenue would increase from 0.08m in 1991 to 0.16m in 2007.

In Low Density areas total revenue (euro) would increase from 2.55m to 3.42m and from 1.80m to 2.43m under the high or low wage assumption respectively. Farm revenue would increase from 0.73m in 1991 to 0.91m in 2007. Non farm revenue would increase from 1.73m to 2.28m and from 0.98m to 1.29m under the high or low wage assumption respectively. Forest revenue would increase from 0.09m in 1991 to 0.23m in 2007.

In Peripheral areas total revenue (euro) would increase from 3.16m to 4.62m and from 2.16m to 3.01m under the high or low wage assumption respectively. Farm revenue would increase from 0.60m in 1991 to 0.63m in 2007. Non farm revenue would increase from 2.45m to 3.21m and from 1.39m to 2.10m under the high or low wage assumption respectively. Forest revenue would increase from 0.11m in 1991 to 0.28m in 2007.

The above analysis indicates the extent to which optimal use of resources in areas with a history of long term decline would increases gross revenue. A revenue increase of between 25 and 30 per cent would occur in Farm Dependent areas. The

equivalent increases for Low Density and Peripheral areas are approximately 35 and 45 per cent respectively. The principal changes in resource use involve increases in off farm employment, the reallocation of land classified as rough grazing to forestry and qualification for extensification premia and REPS through less intensive use of agricultural land.

Table 7: Change in Revenue 1991 to 2007 (1999 values)

	Farm Dependent				Low Density				Peripheral			
	Pre Reform		Post Reform		Pre Reform		Post Reform		Pre Reform		Post Reform	
	Ind.*	Min. **	Ind.	Min.	Ind.	Min.	Ind.	Min.	Ind.	Min.	Ind.	Min.
Farm m. euro	1.11	1.11	1.29	1.29	0.73	0.73	0.91	0.91	0.60	0.60	0.63	0.63
Non Farm m. euro	1.38	0.78	1.83	1.04	1.73	0.98	2.28	1.29	2.45	1.39	3.71	2.10
Forest m. euro	0.08	0.08	0.16	0.16	0.09	0.09	0.23	0.23	0.11	0.11	0.28	0.28
Total m. euro	2.57	1.97	3.28	2.49	2.55	1.80	3.42	2.43	3.16	2.10	4.62	3.01
Index 1991=100	100	100	128	127	100	100	134	136	100	100	146	143

- Ind. Industrial wage for all off farm labour. ** Min. Minimum wage for all off farm labour.

To highlight the relative importance of the different sectors the contribution to the increase in revenue from farm, non-farm and forestry under the different scenarios is shown in Table 8. In Farm Dependent areas farming contributes 25 and 33 per cent to the total increase in revenue in the high and low off-farm wage scenario respectively. Non-farm contributes 63 and 50 per cent to the increase in revenue in the high and low off-farm wage scenario respectively. Lastly forestry contributes 12 and 17 per cent to the increase in revenue in the high and low off-farm wage scenario respectively.

In the Low Density areas farming contributes 21 and 29 per cent to the total increase in revenue in the high and low off-farm wage scenario respectively. Non-farm contributes 63 and 49 per cent to the increase in revenue in the high and low off-farm wage scenario respectively. Lastly forestry contributes 16 and 22 per cent to the increase in revenue in the high and low off-farm wage scenario respectively.

In the Peripheral areas farming contributes a mere 2 and 3 per cent to the increase in revenue in the high and low off-farm wage scenario respectively. Non-farm contributes 87 and 79 per cent to the increase in revenue in the high and low off-farm wage scenario respectively. Lastly forestry contributes 11 and 18 per cent to the revenue increase in the high and low off-farm wage scenario respectively.

Table 8: Index of Contribution to Increase in Revenue

	Farm Dependent		Low Density		Peripheral	
	Ind.	Min.	Ind.	Min.	Ind.	Min.
Farm	25	33	21	29	2	3
Non Farm	63	50	63	49	87	79
Forest	12	17	16	22	11	18
Total	100	100	100	100	100	100

Post 2007

The above analysis is presented under the conditions set down in the Agenda 2000 reform package. A number of options arise in the period post 2007. Among these

options are the continuation of the present policy of restrictions on output and the payment of premia tied, as at present, to a given size of enterprise on each farm. An alternative to this is that all livestock payments could be decoupled from production and, similar to existing Disadvantaged area payments, paid on an area basis with perhaps environmental conditions attached. The question as to whether forestry premia are also decoupled is an important one. In principle it is difficult to argue that forestry premia alone should not be decoupled. Preliminary examination, however, seems to indicate that if this happens forestry will become uncompetitive. On the other hand if forestry maintains its premia but all livestock premia are decoupled forestry will have gained a sizeable advantage vis-à-vis livestock. Since forestry requires much less labour than livestock a higher demand for labour and a consequent increase in the level of wages and salaries in the economy in future would further improve the competitiveness of forestry.

Discussion

Since Ireland has a low forest cover and since there is also some evidence of a surplus of land in certain areas over and above that needed to optimise returns to farming under current policies, the expansion of the area under forest seems desirable. In most of the country, however, there is increasing competition between livestock enterprises and forestry for the available land. This arises from the need in the post Agenda 2000 situation to farm more extensively in order to qualify for increased payments for extensification and also for REPS.

The overall conclusion from the regression analysis is that planting grant, premia, market margin and area under REPS each have a significant influence on the level of private forest planted. Because it is an up-front payment increasing the planting grant has a bigger effect than increasing the annual premium or any increase in market margin. This highlights the fact that the success of the forestry programme is more easily influenced by publicly funded payments than by changes in market returns. In fact the ability of both livestock and forest enterprises to compete for land is heavily influenced by publicly funded payments.

Since forestry requires much less labour than livestock, increases in the value of wages and salaries in the non-farm economy improve the competitiveness of forestry *vis-à-vis* livestock.

The corollary is that transferring land from agriculture to forestry releases labour for work elsewhere. This is an advantage in a situation in which the economy is buoyant, demand for labour is good and wages and salaries are high. Whether this will benefit the local area depends on the ability of these areas to retain the labour released off farm. The implication of this is the need for investment and entrepreneurship within rural areas.

The resource use analysis shows that the contribution of forestry to increased revenue varies from 11 to 22 per cent in the different type of area analysed in this paper. This derives from the conversion of rough grazing into forest.

The antipathy of farmers in these areas to forestry (Frawley et al. 2001) might be expected to make this change in land use difficult to achieve. It has not, nevertheless,

prevented the present considerable rate of planting of 12,000 hectares per annum. While this is a significant change in land use, it is felt by foresters to be inadequate since it falls short of the target area of 20,000 hectares per annum. It is an issue, however, that merits further study. It involves, among others, factors such as the contribution of livestock to the production of greenhouse gases, the sequestration of greenhouse gases by forestry and the sociological and environmental implications of increasing areas of forest. These costs and benefits are public goods and are not taken into account by the landowner in deciding on planting forest. That these are not unimportant considerations is highlighted by the fact that it is estimated that the value of the sequestration benefits of one hectare of Sitka Spruce is 194 euro (Byrne et al 1999).

Post 2007 decoupling of premia payments from specific enterprises will become an option. This will arise because of pressure in the current round of World Trade Organisation (WTO) negotiations to change to a less market distorting method of support and also because of the need to move to a less bureaucratic system. In that situation the issue of whether forest premia are decoupled is important. On the one hand, without premia forestry would become very uncompetitive. On the other hand if forest enterprises retain premia and livestock premia are decoupled, forestry will be very competitive with livestock. This trend would be further enhanced if, at the same time, wages and salaries in the general economy were to strengthen.

The resource use analysis reported in this paper highlights the gains that declining rural areas can derive from the non-farm employment created as a result of the so called 'tiger' economy. A major part of the gains in all scenarios and situations derive from increased non-farm employment. This, however, needs some qualification. The solution assumes that the available employment is within commuting distance of these areas. This presents a challenge to policy makers since most increases in employment occurred in areas adjacent to urban centres (Leavy 2001). The assumption that all surplus farm labour is available to work off farm may also be an overstatement since some people in farming may be of an age that they are in semi-retirement. Neither qualification, however, undermines the conclusion that declining rural areas could gain significantly from the availability of accessible non-farm employment.

Despite the fact that livestock numbers are declining in all scenarios, qualification for extensification and REPS payments, combined with limited increases in technical efficiency, enables agricultural enterprises to increase their contribution to total revenue. This is not significant in Peripheral areas but is an important contribution to increased revenue in the Farm Dependent and Low Density areas.

The principal changes in resource use, therefore, involve increases in off farm employment opportunities, the reallocation of land classified as rough grazing to forestry and qualification for extensification premia and REPS through less intensive use of agricultural land. Decisions by resource holders in declining areas to pursue these changes will depend on the continued availability of accessible jobs and the maintenance into the future of present agricultural and forest policy. The incentive for the implementation of successful policies is, however, great since increases of 25 to 45 per cent in revenue can be achieved through a more efficient use of resources in rural areas that have a long-term history of decline. It should be emphasised that

these gains represent economically optimum solutions and may only be partially realised in the short term. Any movement towards more optimum use of resources, however, will have a consequential benefit for these areas through increases in employment and the maintenance of population. This would help to justify improvements in existing infrastructure. It would also take pressure off urban areas, in many of which infrastructural problems are acute. Rural areas that would otherwise be faced with socio-economic decline could then make a positive contribution to the competitiveness of the Irish economy in the context of a global market.

Any major changes in employment prospects or in the conditions attached to livestock or forest premia would render the results presented in this paper invalid and would present the resource holders in these areas with a different set of problems for which a different set of solutions would be required.

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Policy and Structural Issues in Afforestation

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Introduction

The Strategic Plan for the development of the forestry sector in Ireland set a target of afforestation of 25,000 hectares per annum to the year 2000, and 20,000 hectares per annum to the year 2030. The target was nearly reached in 1995 but the area afforested fell back to about 11,400 ha. in 1997 and increased modestly again in 1998 - 2000. In the NDP, 2000 – 2006, a total of €736million has been provided for forestry, of which €648 million will be co-funded under the CAP Rural Development Plan. This latter investment is to support a planting programme of 20,000 hectares annually. An additional €101million is being provided under the Regional Operational Programme for investment in woodland improvement, harvesting, forestry development and forest roads, while further supports are available under the EMPHR and PS Operational Programmes.

Since the upsurge in afforestation from the mid-eighties, there has been considerable interest in the enhanced programme, the genesis of which lies with concerns expressed about the future of the CAP, and about alternate ways of supporting rural development. Many questions have been asked, like the following, about this development. Is it an appropriate use of land given its long production cycle? What degree of institutional and financial support does it receive in the context of the development of our natural resources? What is its impact on the economic, social, cultural, and environmental dimensions of the rural economy by comparison with conventional land uses? What are the main factors which influence the rate of afforestation, and by inference, what are the main constraints on its development?

I will not pretend to provide final answers to any or all of these questions in this paper but hope to advance the debate on some relevant issues. The paper first looks at the evolution of the planting programme over the past 20 years and associated factors, including the composition and location of planting. It then cites the main findings of a study on the impact of forestry on agricultural output and population levels. A section on the relative levels of support for forestry and agriculture follows as well as the perception of forestry in policy formation. The study then briefly examines the changing structure of agriculture and the implications for forestry. Finally, the paper dwells on certain issues in the institutional and policy arena which merit consideration, and the information deficiency in the socio-economic arena with respect to deriving more precise information on the potential and prospects for forestry at the micro level.

Planting Trends and Supports

A summary of the rates of afforestation from 1980 and its allocation by planting sector is given in Table 1, while the key support features, for a representative planting category, corresponding to the respective sub-periods are shown in Table 2.

Table 1 Rate of afforestation by period, annual average (Hectares)					
	1980 – '85	**1986 – '88**	**1989 – '93**	**1994 – '97**	**1998 – '00**
Public	5,592	5,731	7,109	4,566	1,761
Private	410	3,277	9,448	14,330	12,003
Total	6,002	9,008	16,557	18,896	13,764

Table 2 Rates of support for farm forestry – key features, IR£/ha.					
Grant	800[1]	800[2]	1,100	1,500[3]	1,800[4]
Premium		Headage	116	185[3]	240[4]

1 Disadvantaged areas
2 IR£800 in disadvantaged areas, IR£550 in rest of country
3 Non diverse
4 Diverse

From 1960 to 1980 the uptake of State planting grants by private individuals was rather low and averaged only about 200 hectares per annum. The Programme for Western Development (the Western package) was launched in Ireland in 1981 and included provision for the payment of grant for private afforestation up to a maximum of IR£800 per hectare for farmers in the areas in question. In 1987 also a Scheme for Agricultural Holdings was launched by the Forest Service to enable farmers outside the Western Package area to avail of higher grants than those offered under the State planting grants. Eligible farmers planting conifers could receive grants up to 80% of approved costs up to a limit of IR£550 per hectare with up to IR£850 for broadleaves.

However, the major impetus to the expansion in private forestry was the provision of an annual income from forestry under Regulation 297/85. This meant that farmers who were recipients of Compensatory Allowances could receive such allowances on land which they afforested for 15 years to compensate for loss of income from farming on afforested land. As a result of this scheme in 1987, cattle headage payments were introduced to compensate for loss of income from farming on afforested land. The Scheme was amended in 1988 and the duration of payments was increased to 20 years. Arising from these Schemes there was a large increase in private planting from 1986 to 1988.

The introduction of the Forestry Operational Programme in 1989 under which planting grants were further increased and area premia made available, gave an additional stimulus to private forestry. Premia were first applied on a countrywide basis from 1990, payable on afforested areas completed from June 1989. Over the period of the 1989-1993 Forestry Operational Programme, over 83,000 hectares of new planting took place. The greatly increased level of afforestation in the early 1990s, can be attributed to the enhanced grants and premia under Regulation (EEC)

2080/92. However the level of afforestation over the period 1994 – 1999, at approximately 100,000 hectares, was considerably less than the target of 150,000. The two main reasons for the shortfall were the better than expected returns in the competing farm enterprises and the ambitiously high targets established at the outset of the programme. The downturn in afforestation in 1996 was indicative of increasing competition for land from agriculture, while the further reduction in 1997 can be partly attributed to the timing of the review of the forest grant and premium rates and the increasing influence of the REPS measure. The new support rates from 1998 give a new fillip to the planting programme.

Composition and Location of Planting

Over the period 1980 – 2000 there have been substantial changes in the composition of afforestation. If we decompose that 20 year period into five sub-periods; 1980 – 85, 1986 – 1988, 1989 – 1993, 1994 – 1997, and 1998 – 2000; each corresponding with a particular support regime, there are very significant changes in the levels of supports and afforestation and its composition. The average total annual afforestation increased more than threefold in the period 1994 – 1997 by comparison with 1980 – 1985, but an equally significant and simultaneous change occurred in the composition of planting, whereby the proportion of private planting rose from 7% to 87% over the period. The major reasons for these trends have been the rising level of support for forestry, the increasing awareness of the forestry option and reduced activity by Coillte in acquiring and planting land.

If we further examine the whole period, 1986 – 2000, the beginning of which was the beginning of effective support for the private sector forestry, the total area of private forestry was just about double that of public forestry, with the total private areas in the second half of the period being four times greater than the public sector area. There has been some change in the rate of private afforestation by region also over the same period, presumably in response to changes in the level of financial support. In 1994 the level of premium was differentiated by region with the highest rates granted in the non-disadvantaged or “normal” areas, and the lowest rates in the more severely handicapped areas. Consequently, in the 1994 – 2000 planting period, the level of planting in the normal zone was over double that in the period 1986 – 1993, whereas the increase in the mainly disadvantaged areas was much less than half this rate. Thus differentiating the premium, whereby the non-disadvantaged areas received higher premia, did have some positive effect. The enhanced rate of planting in the Eastern or non-disadvantaged areas can also be attributed to the introduction of a significantly higher premium for broadleaves which require better quality land. However, private afforestation as a proportion of land use over the period 1986 - 2000 was greater in certain of the “non-disadvantaged” counties such as Kilkenny, Laois, Offaly and Tipperary than in such counties as Cavan, Monaghan, Galway and Longford which significantly at least is difficult to explain. By contrast the degree of public afforestation is occurring more uniformly over the country, with Waterford, Laois, Wicklow and Tipperary featuring strongly, while Clare, Leitrim and Mayo also had above average rates of public afforestation. Of the ten most densely forested counties, seven were in the group of ten which had the most rapid rate of afforestation in the 1986 – 2000 period while the remaining two

counties, Cork and Tipperary, had experienced higher rates especially of public planting in previous times.

Impact of Forestry Expansion on Agricultural Output and Population

The proportion of land planted to forestry varies from a low of 2% in Meath to 21% in Wicklow, but within certain areas of some counties and regions of the country the proportion planted is just as high as the figure cited for Wicklow. This is particularly the case in certain smaller districts in the West and Northwest, where it is sometimes claimed that expanding afforestation has reduced agricultural output and lead to a depopulation of the countryside. A study supported by the Department of the Marine and Natural Resources examined the situation in this regard in a number of representative areas (Kearney,1999). The study focused on certain areas in the North-west and South where the trends in forestry, agricultural activity, and population levels since the 1920s were examined to establish whether there is substance to the claim that there is a connection between the degree of afforestation in certain areas and agricultural activity and population trends.

The following were the areas chosen in the respective counties (RDs in brackets):

- Cavan/Leitrim (Bawnboy, Enniskillen, Manorhamilton)
- Roscommon/Sligo (Boyle No.1 and Boyle No.2)
- Tipperary/Waterford (Clogheen, Clonmel No.2, Dungarvan, Lismore,)
- Cork/Kerry/Limerick (Kanturk, Tralee, Newcastle)

The main conclusions drawn from the study are as follows:

- In general terms, the greatest decline in population and the biggest change in land use in Ireland have occurred in areas which have the poorest land and the lowest incidence of larger towns.

- As indicated in the study, those Rural Districts which have had the largest decline in population, have a very limited use range for agriculture but in earlier times there was a huge dependence on small scale and low income farming.

- The populations of such areas have been in rapid decline since famine times and could never have been sustained by the returns being realised in agriculture.

- That pattern of decline was well established and entrenched long before forestry began to expand in the fifties, and there is no concrete evidence that the inexorable decline in population was affected, one way or another, by the expansion in forestry.

- The marked contrast between population trends in the South and North-West, despite the fact that forestry trends were similar in both regions, suggests that factors other than afforestation contributed to the differential patterns of population change.

- Likewise the diverging trends between regions with respect to agricultural activity reflect the suitability of the respective land resources and farming structure in the areas in question.

- The actual decline in total farming activity over the past 70 years in the North-West area underlines the poor quality of the land resources in this area.

- The vast bulk of the afforested areas are quite unsuitable or marginal for agriculture.

- It is evident that changes in rural population are influenced to some extent by the development of agriculture. However, even a strongly developing agricultural sector cannot maintain the rural population in the absence of other positive influences. Proximity to urban centres is evidently of much greater significance than the development of either agriculture or forestry with regard to population.

- While it cannot be categorically stated that for every plot of land planted, forestry was always the best land use option, taking the situation overall in the areas examined, it is concluded that forestry did not have any significant negative impact on agricultural production or population levels. Rather the effect on total revenue generated in the areas will be positive due to premium receipts and the current and future value of timber sales as more land is planted and as the existing forests mature.

Forestry Financing and Perception in Policy Formation

While the pace of afforestation has increased dramatically since the mid eighties in response to the financial stimuli provided, there is little to indicate that the planting took place at the expense of any agricultural activity in the aggregate. Indeed this was also the experience in other Member States, as cited in an EU Evaluation Report on Regulation No 2080/92 (2001).

"……..we can affirm that as regards the reduction of agricultural surpluses, the impact of Regulation 2080 is negligible. ……It is very clear that the regulation has proved to be ineffective in encouraging the afforestation of the most productive agricultural land. What has in fact been afforested, with a few rare exceptions, is land with a poor yield and producing little income, in all countries ; the beneficiaries having all followed the clear logic of not abandoning the most profitable land for an irreversible crop with a hypothetical yield".

> Furthermore it is probable that a further considerable expansion in forestry could take place without depressing agricultural output, although it could depress agricultural revenue by reducing extensification payments. However, even in the latter case, overall farm revenue could be increased by adding forestry to the land use plan, especially as forest premia are exempt from tax. Nevertheless it is also plausible that as the areas afforested increase, the more is forestry moving onto land which is probably yielding ever more positive returns from farming.

In addition to the relatively large areas planted from 1986 to 2000 inclusive – i.e. 226,686 hectares, or 3.2% of the total land of the country- the national objective is still to achieve an annual planting of 20,000 hectares from 2001 to 2035. This target, and indeed the afforestation programme as a whole, are viewed differently by different groups in the country. The official national objective is strongly supported by the respective forestry interests. Accordingly, an array of inducements in the form of

afforestation grants and premium schemes have been put in place with the objective of attaining the target. However, it is not clear as to how the target figure was established for the present or preceding programmes as the justification for the targets has never been articulated. In fair1ness to the policymakers, there was little precedent to go on, but the demise of the CAP probably was and still continues to be exaggerated by all except a small coterie of policymakers and farming interests!

There is also a body of opinion which considers forestry as a usurper in terms of land use and being more kindly treated in terms of public supports. It is true that forestry receives preferential treatment with respect to taxation. For example, planting grants and income received under the EU Forest Premium Scheme are exempt from income tax and there is also preferential treatment under the capital and indirect tax provisions. Of course these advantages and specifically the income tax advantage only apply to taxable incomes, but most in the smaller to medium farm sized category would not have taxable incomes in any event.

The comparable level of support which agriculture and forestry receive merits consideration in this context also. The OECD monitors support for the agricultural sector for the major product regions of the world with the EU being treated as one region (OECD, 2001). One of the most widely used measures of support is the Producer Subsidy Estimate (PSE), which is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers through the agricultural policy process. It includes market price support, direct payments and other supports. In percentage terms, the PSE is the total PSE, expressed as a percentage of the value of total gross farm receipts. For the three "grassland" enterprises, dairying, cattle and sheep production in the EU, the relative percentage PSEs in 2000, were 43, 75 and 52% respectively, and with a total PSE of 38% for all products. The PSE per hectare of agricultural land for the EU as a whole was €711. PSE measures are not generally available for Ireland, but where the calculation has been undertaken, it has been shown that Irish PSEs would tend to be somewhat lower than the OECD estimate (O' Connor, 1995). As an approximation of the total support for the three grassland enterprises combined on a per hectare basis for this country, the EU PSE for the three commodities was allocated to Ireland on a proportionate basis. It was then distributed over the estimated land areas devoted to these enterprises. This worked out at €660 per hectare and represents the degree of support for the conventional enterprises which compete with forestry.

It is now necessary to estimate a "PSE" for forestry. Unlike agriculture, there is essentially a free market in trade in the wood and wood products sector. Thus, the vast bulk of public support for afforestation is confined to that from taxpayers in the form of grants and premia. If we assume as a representative premium category, the 20% diverse plantation, then the respective premium per hectare is €391 paid for 20 years. As the premium is paid over about half the production cycle for a typical coniferous plantation, the equivalent payment per hectare would approximate to €196. The corresponding grant for this category of planting is €2,857 per hectare or €71 over the production cycle. Thus the combined PSE type support is €267 per hectare for farm forestry. It could be argued of course, that this figure would be considerably less if the grants and premia were spread over a number of rotations rather than one as in this exercise, but regardless of this, the level of PSE type support for forestry is less than half that for agriculture. Even if the tax concession

referred to above were taken into account, there still remains a large difference in the degree of support for agriculture and forestry development.

However, there are some other supports provided for the sectors under the heading of "general services supports". These include R & D, extension services, and training. A rough estimate of these supports expressed over the total area under forestry would be approximately €28 per hectare, although again it could be argued that the expenditure should be attributed to the more recent plantings, which would give an upward thrust to the above figure. However, the latter estimate is probably still considerably less than the corresponding expenditure for agriculture.

Of course, the increased level of support for forestry over the past 15 years or so has arisen in the context of reform of the CAP. This relates in particular to its role in the reduction of agricultural surpluses, by the development of alternative products, and in rural development. This was first embodied in Regulation (EEC) No 797/89 on improving the efficiency of agricultural structures, whereby in the LFAs, the continued payment of headage or stock allowance could be allowed for "animals replaced by trees". Its role in promoting the diversification of agriculture and rural development has been continually recognised in the 1989 -1993, and 1994 – 1999 Operational Programmes and in the 2000–2006 Rural Development Programme. Thus the support for forestry is an important and intrinsic element in the reform of the CAP and merits equivalent status with other land-using activities such as the sheep, milk, cattle and cereal enterprises. In the minds of policymakers therefore it is for all practical purposes another publicly supported land-use activity. However, as indicated above, it is doubtful if the support given to date has contributed to the objective of reducing agricultural surpluses, for the simple reason that forestry would not yet be competitive with the higher earning farm enterprises and/or the more intensive farming systems.

Despite the growing recognition of forestry in the CAP, the enterprise still struggles to gain acceptance in certain sectors of the farming community as a legitimate land use enterprise. Of course, its expansion increases competition for land by reducing the supply for agriculture and also perhaps because of the "irreversible" nature of the decision to afforest, and some other perceived disadvantages of forestry. The degree of antipathy towards forestry is also greater where forestry is only beginning to expand, and its advantages in terms of income and employment not yet apparent.

The question of forestry expansion in the context of national development also merits some commentary. Where forestry expands without any negative impact on agricultural production in either a quantitative or qualitative sense, or in an environmental sense, then it is clearly beneficial to the enhancement of our national resources. This is particularly so when agricultural production is severely restricted by supply management policies and where forestry is one of the few ways, if realistically not the only way, of more fully exploiting our land resources. We therefore should view forestry development in a wide land use framework and as an intrinsic element of the CAP and not just from an agricultural fundamentalist perspective.

Structural Issues and Farm Forestry

The primary stimulation for the expansion in private and farm forestry has been economic, and obviously derived from a rational evaluation by the people concerned of the returns being received from forestry and in the existing land use. But while the economic motive may be the principal factor influencing the rate of farm afforestation, social, structural and policy issues, also have a bearing on the process. Here we mainly focus on a selected few issues, and draw on an ESRI study (Hannan and Commins, 1993). The study concluded that in general terms the availability of land for afforestation is dependent on the interplay of factors such as restructuring in the farm sector, the diversification of the rural economy, public policies, and implementation strategies in afforestation programmes. A number of trends are evident or conclusions can be drawn with respect to these factors.

There has been a continuing reduction in the number of people entering farming, and an increasing disengagement of farmers from full-time farming into part-time and retirement farming. Changes in Irish farming over the past 30 years have resulted in commercial farming becoming more concentrated in larger farming areas, while farming has become more marginal on the smaller and poorer quality farms of the West and north-west. Where part-time farming evolved, especially prevalent near urban areas - farming activities were better maintained than in more remote areas. Such areas, endowed with poor quality land, have witnessed a considerable withdrawal from full-time farming into less intensive farming and reliance on non-earned income. Over the last decade alone, the total at work in agriculture has fallen from 155,000 to 120,000 or from almost 14% to 7% of the total at work. This of course also masks a steep increase in the incidence of part-time farming. From 1993 to 2000 the proportion of holders with off-farm employment has risen from 24% to 33% and this proportion could increase by 50% over the next decade. This suggests that the area of land farmed by part-time operators could rise from about 22% of the land area at present to about 33% in a decade from now. Interestingly also, nearly 20% of agricultural land is operated by farmers over 65 years of age and who account for 22% of all farmers.

In the study referred to above, a particular concept of mobility was used: primarily landholders moving from dependence on intensive farming for household income to one where income from the land is additional, or even residual to the main off-farm source. It includes sales, lettings, change to part-time farming or "retirement" farming. Regions subject to most "mobility" in total were those with the poorest land, the less intensive farming and the most remote from expanding growth centres. With respect to the **sales** element of mobility, however, the rate is greatest in conventional farming areas. Landowners in those areas where farming is poorer and smaller in scale are the **most unlikely to sell** their holdings, but hold on to their land and shift into a part-time or retirement mode. Sales of land for afforestation do however conform more closely to the overall tendency for land mobility and are most likely to occur in remoter inland and upland poorer farming areas.

The regional distribution of applicants for afforestation grants and premium conforms more however to the commercial logic which underlies the pattern of agricultural land sales, being concentrated in bigger farm areas on better soils and where the more intensive systems of farming operate. With regard to the type of landowners afforesting, in the North West full-time farmers predominated, planting poorer parts of their holdings. Part-time farmers or inheritors, who no longer lived locally, and

investors, made up the second and third most important categories respectively. Landholders on the dole or having the NCOAP (Non-contributory Old Age Pension) did not seem to participate. In the South, applicants again appear to be mainly from full-time farmers afforesting small and poor quality parts of their holdings. The balance is largely made up of part-time farmers. Although full-time farmers make up the bulk of applicants they are significantly lower than their proportion among landholders. Part-time farmers are generally younger and better off financially and are over represented among forestry applicants especially in the West. Interest in forestry is less among "retired" and elderly farmers and landowners, and consequently recipients of income support and old age pension payments who maintain a negative attitude to forestry because of its implications for means test assessment in their circumstances.

The attractiveness of forestry in a part-time farming situation has been demonstrated from an economic rationale perspective (Frawley and Leavy,2001). The study concluded, inter alia, that in situations in which off-farm jobs are either not available or are available at a low wage level, extensification and REPS payments enable efficient livestock enterprises to compete with forestry. However, the availability of off-farm earnings at or near the industrial wage rate changes the farm plan by increasing the forestry area, sometimes to the exclusion of cattle enterprises.

The availability of land for afforestation depends not only on the incentives available but also on such factors as awareness levels, promotion activities and technical support systems. The Hannan/Commins study concluded that operational improvements are possible to maximise collaboration and fine tune promotional activities for farm forestry. More needs to be done to heighten public awareness of the potential of forestry and to recognise the need for sensitive action to take account of local environmental and attitudinal considerations. However, while mass media approaches help to create awareness and convey general information, actual decisions are usually made only after extensive person to person communication. Therefore it imperative that the relevant development agencies have sufficient contact with that important particular target group for forestry, i.e. those older or "retired" farmers especially in marginal farming areas.

So what are the implications of a gradually changing agricultural structure for afforestation? First, the ever increasing incidence of part-time farming is probably a positive if not a hugely significant factor affecting afforestation. As indicated above, this category has a higher propensity towards afforestation and likely to adopt a more ‘rational’ approach in the land-use decision-making process. Second, that category of farmers least likely to afforest, i.e. the elderly and transfer payment supported group, are likely to diminish in importance with restructuring and consolidation and the significance of this group in terms of resistance to planting trees should gradually diminish. This category also would show a considerable overlap with the 65 year+ age group in farming.

Conjointly with these trends, the total number of farms is declining over time albeit slowly. There are definitional problems comparing trends pre and post 1992, but in general terms there is a persistent decline in the number of holdings, with most of the decline taking place in the smaller size category while the number of larger

farms has grown with a consequent increase in farm size. (The release of the 2000 Census of Agriculture data should provide useful and up-to-date information on recent developments in farm numbers). There is going to be a continuing decline in farm numbers, accompanied by an increasing average size, and with anticipated strong pull and push factors operating, the decline in the total number of farms and full-time farms is likely to be at a pace similar to more recent years but greater than the long-term secular trend. These trends, ceteris paribus, collectively presage a somewhat more positive structural environment for forestry in the future than in recent times but they remain only one of quite a number of factors which influence the rate of afforestation.

Concluding Remarks

Forestry development and expansion merit more consideration from policy makers and opinion formers given its growing significance in land use. Over the past twenty years, nearly 4% of the land area has been diverted to forestry, which is one of the most significant rates of change in land use of all time. As pointed out above, it is now a very significant dimension of the CAP, but one wonders if there is sufficient co-ordination between the respective Government Departments in order to ensure that forestry commands the same degree of attention as other land-using enterprises. Even though the DAFRD is the lead Department of Rural Development, there is no mention of forestry in its Agri-vision 2000 Report, although its role in rural development is well recognised in the White Paper on same. Furthermore, in the Chapter on Specific Measures in the CAP Rural Development Plan, there is a section on how forestry should be integrated with REPS, and sets out the role of planners and the training/guidance they are to receive in implementing this objective. Perhaps this is an appropriate time to assess what progress has been made in giving effect to the REPS/forestry integration process and to what extent it features in the monitoring of the forestry programme. Indeed it might be useful to suggest that a joint liaison committee should be established between the respective Departments to review matters of common interest in the context of achieving the objectives outlined in the NDP.

Teagasc also has a crucial role in the development of farm forestry. It has demonstrated its commitment in this regard through its greatly enhanced forestry advisory service. It should also establish closer institutional arrangements with the Forest Service with a view to:

- providing an input into their awareness/promotion campaign
- acquiring more information on geographical distribution of applications as a basis for locating its promotional service and for determining reasons for non-pursuance of applications.

Given its role also in promoting rural development and in land use planning, it would be helpful if Teagasc were to specifically adopt the development of forestry in its overall advisory service strategy.

More research-based socio-economic information is required also to gain a better understanding on the potential and prospects for forestry at the micro level. This can only be achieved by well structured and representative field surveys which

would provide a realistic quantification of the scope for forestry expansion. Among the aspects investigated would be present land use and income from farming, the physical features of farms, the socio-demographic characteristics of the landholders, whether engaged in forestry and/or awareness of forestry schemes, attitudes to forestry and expected land use and development intentions in the medium term. In particular, the field study would endeavour to establish, and quantify the scope for afforestation, on the basis of stocking densities, enterprise margins and land suitability. Further it would elicit precise information on the constraints or barriers to afforestation, where there is perceived scope for the enterprise but no plans for such development. This aspect of the field study would also aim to quantify the extent to which past afforestation by farmers has limited the potential for future planting. The issue of whether attitudes to forestry are changing, as well as the reasons for change, if any, could also be addressed in the field study. This study could even be undertaken as a pilot exercise by Teagasc, but in any event the value of such a study would far outweigh its cost in the context of the total forestry programme.

As a final point, it is now time to initiate discussion on how forestry development will feature in the next round of CAP reform and what the general orientation of that reform will be. In that context it is useful to question what consideration, if any, is given to linkages between measures in the policy formulation process at EU level. For instance, it would be interesting to know if any consultation took place between the architects of the REPS and forestry measures or whether in a wider framework such policies could be in conflict with each other or other measures in their operational features, if not in their objectives. This will probably be even more critical in the future where a more “extensive” and decoupled orientation could be imparted to the CAP. Forestry interests ought to be concerned that in such a scenario the continuing greening of the CAP might run counter to the objectives of rural diversification and the utilisation of our national resources.

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Annex 1 Total Forest Cover by Sector and County, 2000

County	Total	Private	State	Total land area of county	% of county planted
CARLOW	5,403.54	1,594.62	3,808.92	89,635	6.03
CAVAN	13,455.77	6,021.99	7,433.78	189,060	7.12
CLARE	43,759.33	20,497.77	23,261.56	318,784	13.73
CORK	75,385.40	26,717.88	48,667.52	745,988	10.11
DONEGAL	54,986.04	18,744.32	36,241.72	483,058	11.38
DUBLIN	3,584.58	1,802.38	1,782.2	92,156	3.89
GALWAY	53,303.70	14,579.29	38,724.41	593,966	8.97
KERRY	45,986.03	26,917.76	19,068.27	470,142	9.78
KILDARE	8,182.10	4,174.73	4,007.37	169,425	4.83
KILKENNY	16,448.91	6,349.06	10,099.85	206,167	7.98
LAOIS	22,941.31	6,994.45	15,946.86	171,954	13.34
LEITRIM	22,152.01	9,595.98	12,556.03	152,476	14.53
LIMERICK	20,255.57	8,580.36	11,675.21	268,580	7.54
LONGFORD	6,595.44	3,442.92	3,152.52	104,387	6.32
LOUTH	3,059.50	1,630.06	1,429.44	82,334	3.72
MAYO	52,409.71	17,994.59	34,415.12	539,846	9.71
MEATH	5,493.62	3,997.72	1,495.9	233,587	2.35
MONAGHAN	5,638.43	2,482.32	3,156.11	129,093	4.37
OFFALY	17,507.50	8,267.50	9,240	199774	8.76
ROSCOMMON	17,236.47	8,998.76	8,237.71	246,276	7.00
SLIGO	19,552.13	6,944.56	12,607.57	179,608	10.89
TIPPERARY	43,274.55	14,905.38	28,369.17	425,458	10.17
WATERFORD	26,400.77	7,709.11	18,691.66	183,786	14.36
WESTMEATH	11,010.45	6,299.65	4,710.8	176,290	6.25
WEXFORD	13,670.73	5,035.19	8,635.54	235,143	5.81
WICKLOW	42,119.33	12,809.26	29,310.07	202,483	20.80
TOTAL	649,812.92	253,087.61	396,725.3	6,889,456	9.43

Source: Forest Service

Forestry (Case Study)

Jim Reidy
Advisory and Training Directorate, Rural Development, Teagasc

EU Planting Programme

1980 to 2000

- 139,000 hectares Private
- 108,000 hectares Public (*Coillte*)
- 17,500 cases to date
- Average - 8.0 hectares

1

Year 2000

- Private Sector 90%
- Farmers 90% of Private Sector
- Average - 11 hectares
- All Contracted Out - 75%
- 13% Broadleaf
- 50% Clients of Teagasc
- 25% Training

2

EU Planting Programmes

Year: 2006

- 25,000 cases (+7,500 cases)
- 220,000 hectares Private (+80,000 hectares)
- 120,000 hectares Public? (+12,000 hectares)

3

Forestry Option

- Land Holders Views
  - *General*
- Details of Case Study Farmers
  - *Noel Kelly*
  - *Michael Devaney*
  - *John Forde*
- Main Issues
  - *Three Farmers*
- Economic, Sociological Institutional, Time Scale.

4

Economic

- Forestry Income
  - *Premium payments*
  - *Thinning and clearfell income*
- Farm Income
  - *Land quality, farm size, farming system.*
  - *All EU payments.*
  - *Market Prices*
- Returns
  - *Land, Labour, Capital.*

5

Sociological Issues

- Age, Health, Dependants
- Knowledge
- Off Farm Job
- Contact with Agencies
- Willingness to Change

6

Institutional

- **Many Agencies**
- **Confusion/Different Messages**
- **Uncertainty/Risk**
- **Continuous Change**
  Environmental/Other Conditions

7

Time Scale Issues

- **Very Long Term/Indexation**
- **Good Premium Payments**
  Loss of Farm Income
- **Giving Land to Forestry/No Payment**
- **Legal/Taxation Framework**
- **Payments for Carbon**
- **Risk Taking**
  Forestry Only Option

8

Noel Kelly

Forage Area: 60 Hectares

Inherited: 65 Hectares

Farming System: Dairying to 3 years ago
Now Drystock 60 L.U.s maximum

Livestock Density for Extensification Payments: 1.0 L.U./Hectare

9

Why Forestry?

- At Cross Roads
- Farm Size/Fragmented
- Land Quality
- Independent Means
  - *Farm Retirement Scheme*
  - *Contributory Pension*
  - *Other Off Farm Source*
- Return to Labour
- Positive Attitude
  Forestry & Environment

10

Promoting Forestry

- **Hard Sell Stage**
- **Soft Sell Stage**
- **Independent**
  - *Decision Support*
  - *System for Change*
- **Continuous Support**
  - *job being done*
  - *during maintenance*
  - *planning and marketing first thinnings*
- **Good Option/Product**

11

Forestry (Case Study)

Nuala Ní Fhlatharta
Advisory and Training Directorate, Rural Development, Teagasc

Not available at time of printing.

The Geographical Distribution of Poverty in Ireland

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Abstract

Government investment is often spatially targeted or tends to have a differential spatial impact. We require objective indicators to identify which areas have greatest need of assistance. We also need to be able to monitor the impact of various strategies on poverty over time. There are numerous problems associated with measuring poverty. There are also numerous problems associated with identifying its spatial dimension. These problems could be overcome, thereby permitting a more rational area-based approach to tackling the structural problems which cause deprivation to be more concentrated in certain areas. It is argued that area-based schemes should be diverse in nature and take advantage of local initiative and expertise.

Introduction

When invited to make a presentation on the geographical distribution of poverty in Ireland, my immediate instinct was to produce a map showing the distribution of poverty which could form the focus for a discussion regarding causal factors and possible policy implications. However, a little reflection indicated that there was very little that I could definitively say about the distribution of poverty in Ireland. In my defence, I would add that I believe that there is very little that anyone else can definitively say. The problem is not just a question of insufficient information, but rather relates to the elusive nature of what we mean by ‘poverty’ and the ways in which it is measured.

I will begin by outlining some reasons why I think it is important to have an objective analysis of the geographical distribution of poverty. I will then outline some of the problems which militate against producing such an analysis. Some of these problems are associated with the way in which poverty is measured, whereas other problems arise from the choice of spatial units for which these measurements are made. Both types of problem are reviewed. The paper concludes with a few observations about the type of strategy required to tackle the structural problems found in areas of deprivation.

The Need for an Objective Analysis

Government investment in development is often spatially targeted (i.e. it is intended to benefit specific identified areas). Even if the investment is not specifically targeted, it tends to have a differential spatial impact (i.e. it benefits some areas more than others just by its nature). When drawing up plans for investment, we should have some notion of its likely spatial implications. If the objective is to reduce poverty and to promote social inclusion, then clearly we need to have some idea of which areas have the greatest need so that we can target these areas for special attention.

We each have our own mental image of which parts of the country are the richest and the poorest. The first point I would make is that our perceptions can in some cases be very misleading. To illustrate, consider this map of the mean annual infant mortality rate for Irish counties for the period from 1916-1935 (Figure 1).[16] Infant deaths (i.e. deaths below the age of 12 months) generally reflect poor living conditions, affecting either the mother during pregnancy or the child after birth. Internationally present day infant mortality rates are highly correlated with measures of economic development, to the extent that they probably provide a more reliable indication of living standards than many economic indicators (which are often subject to so many cross-cultural qualifications as to be virtually useless). Infant mortality in Ireland in the past may therefore be regarded as a plausible indicator of living standards.

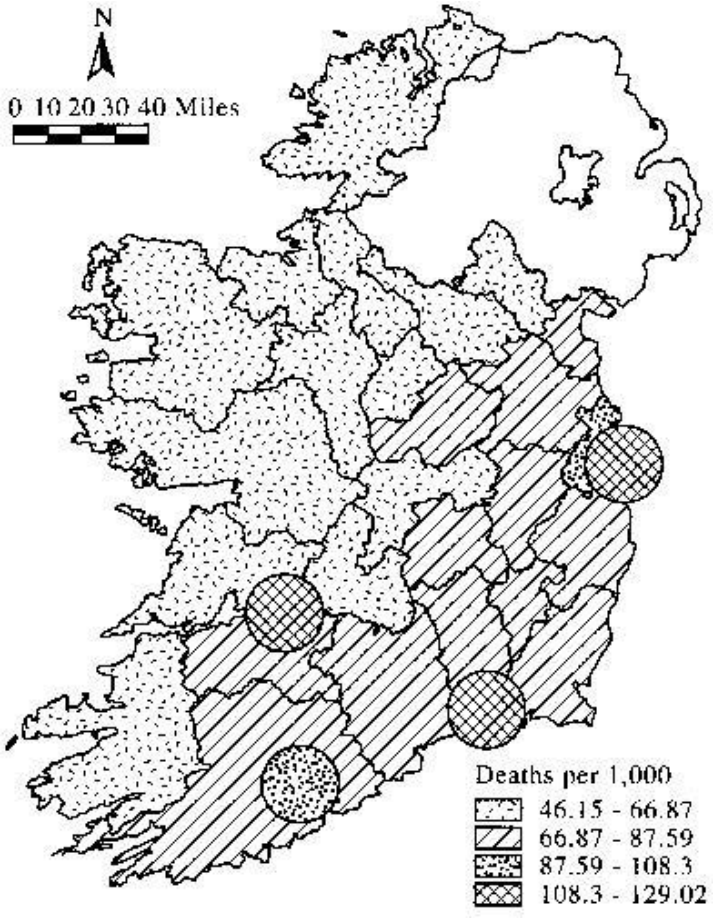

Figure 1. Mean Annual Male Infant Mortality Rates, 1916-35.

The first thing that one might note from the map is that there is a very distinct regional divide between the north and west of the country, and the south and east – corresponding with the major regional divide that pervades so many aspects of Irish life. The major cities (represented by the circles) form a separate category. The second point that might be noted is that there is a massive disparity between the counties with the lowest rates and those with the highest rates. We are not talking

[16] This map was originally drawn for a totally unrelated purpose. See Pringle (1998) for details.

about a few percentage points in the difference: the worst counties had a rate three times higher than the best counties. It should also be noted that the map is not a statistical aberration caused by small numbers. It is based on almost 50,000 infant deaths over a 20 year period. The same pattern was repeated, with minor fluctuations, year after year.[17]

The main point I would make about this map is that the pattern of infant mortality is quite different to what most people would have expected. The major urban areas had a higher rate of infant mortality than the counties. This runs counter to the notion of poverty in Ireland being a predominantly rural phenomenon, but might not be too surprising if one bears in mind the contemporary accounts of slum conditions in the major cities. However, what I think would surprise most people is that the infant mortality rates were higher in the more affluent south and east of the country than the north and west. In other words, infants had the best survival chances in those areas where most people would have expected them to be the worst.

The pattern of infant mortality in Ireland in the earlier decades of the last century clearly raises a lot of questions. I do not want to get into a discussion of the details here. The point I want to make is that if the empirical data had not been collected and mapped it most of us would have jumped to completely the wrong conclusions based upon our prior expectations. Likewise, rather than assume that we know which parts of the country are the most disadvantaged today, what we need to do is to collect hard information on poverty and map it.

It might be noted parenthetically that the geographical pattern of infant mortality today is quite different in two important respects. The first is that the overall rate is happily only a tiny fraction of what it once was and is influenced by factors other than living conditions to a much greater extent. The second is that because the number of infant deaths is small, the incidence rates no longer exhibit a clear geographical pattern and also tend to vary from one year to the next. Infant mortality can no longer be regarded as a reliable indicator of living conditions, even at a county level.

An objective analysis of the geographical distribution of poverty would enable us to identify which areas should be targeted for special attention. However, we also require an objective analysis to enable us to monitor the effectiveness of our policies. This aspect is all too often overlooked. Funds are often channelled into projects to benefit areas of identified need without any objective assessment of the impact of the project – i.e. we do not have any objective indication of whether things have got better or worse. More importantly, even if things have got better, we are often unable to say whether they got better <u>because</u> of the project or whether they would have improved anyway. In other words, we need an objective method for assessing the effectiveness of a given policy or project. Comparing the extent to which things have improved in an area selected for special attention compared with similar or adjoining areas not selected for special attention would provide one indication of the effectiveness of the project or policy. Also, if the objective is to promote social inclusion, then our policies should result in a reduction in spatial disparities. We need

[17] This analysis is based solely on male infant deaths. The patterns for females were almost identical, although the rates were slightly lower (approximately 38,000 deaths).

an objective method of assessing whether disparities are in fact increasing or declining.

To enable this type of monitoring we require objective measures which a) facilitate comparisons between areas at a given point in time (to enable us to identify which areas are better or worse, and by how much), and b) facilitate comparisons within each area for different points in time (so that we can establish whether things are getting better or worse, and by how much).

Measuring Poverty

Quantifying the amount of poverty in a given area is more complicated than one might assume. Most people would regard poverty as the opposite of wealth – i.e. it is a financial concept indicating a shortfall in disposable income relative to what is required for an acceptable standard of living. It should therefore ideally be measured by some sort of financial indicator. The problem is that there is no readily available source of data to do this. The Census of Population, which is the major source of information on many aspects of life, does not contain any questions on income. The Living in Ireland survey, conducted by the Economic and Social Research Institute, does contain income information, but although it is based on a very large sample by social survey standards (n=7,000), this translates to an average of only 2 households per DED (the smallest area for which statistics are routinely collected), which is clearly insufficient for a geographical analysis.[18] Income information is collected by other state agencies (e.g. Revenue Commissioners) for taxation purposes. This could conceivably be used to calculate an income indicator for small areas, but numerous logistical issues would need to be resolved before this would be feasible.
In the absence of an income measure, poverty indicators are normally based on indirect measures. In the absence of single ideal surrogate measure, the usual procedure is to use a number of surrogate indicators (e.g. unemployment, poor education, etc.) which are then combined to form a single composite index. A positive spin is often placed upon these procedures by noting that poverty (and related concepts such as multiple need, multiple deprivation, social exclusion, etc.) are 'multidimensional' and that this approach allows this multidimensional nature to be captured. In other words, multivariate measures are made to sound as if they are a good thing, rather than being what they really are - a substitute for good information (i.e. income measures).

The use of multivariate indices introduces a substantial degree of subjectivity into the analysis – i.e. different composite indices will give different results depending upon which surrogate measures of poverty are included and also upon the method used to combine them into a single composite measure. A number of composite indices have been calculated for Ireland, but the best known are probably the Haase index (Haase, 1995; 1999) and the SAHRU index (SAHRU, 1997). These each identify quite different areas as being the most deprived.

There is no agreement as to which indicators should be included in a composite index. Given that the Census of Population provides the major source of information, most indicators are drawn from the information available from the Census. The

[18] For an informative analysis of the Living in Ireland data at a macro level, see Nolan, B., Whelan, C.T. and Williams, J. (1998).

number of Census variables which can be regarded even as indirect measures of poverty (e.g. percentage in long term unemployment) is quite small, so many indices tend to include indicators which measure the number of people with a raised risk of poverty (e.g. single mothers, elderly people living alone, etc.). However, there are areas in every city with high percentages of elderly people who happen to be quite affluent. So, although elderly people may in general be more at risk of being poor, a high percentage of elderly people is not necessarily a reliable indication that a particular area experiences poverty. Excluding the more indirect indicators of poverty is probably advisable, but a more fundamental problem is that different composite indices produce different results depending upon which constituent indicators happen to be included or excluded.

The method used to combine the various indicators into a composite index provides a second source of subjectivity. Multivariate indices require you to add together indicators that have different units, so you need to decide how much weight should be allocated to, say, each unemployed person relative to a household without a car when calculating the index. There is no generally accepted theory to provide guidelines, so in practice the weights are usually determined either a) arbitrarily (e.g. giving each indicator equal weight) or b) by some empirical means (e.g. principal components analysis). Decisions regarding the amount of weight to allocate to each indicator will clearly influence the value of the calculated index, and therefore which areas are identified as being in greatest need.

In many instances, principal components analysis or factor analysis is used to determine the weights. Using a complex multivariate statistical technique creates an illusion of scientific exactitude, but all it really does is disguise how arbitrary the method used to assign weights actually is. Both techniques, for example, tend to allocate weights to each indicator according to the extent to which it is correlated with (i.e. has a similar spatial pattern to) other indicators. Thus, if you have a number of indicators measuring more or less the same thing, they will be assigned higher weights and (because there are several of them) they will also be a double counted, irrespective of whether the dimension they measure is or is not a good indicator of poverty.

A further problem with using factor analysis or principal components analysis is that if you were to repeat the study for a later time period using exactly the same indicators, the weights assigned to each indicator would be different. This, coupled with the way in which these techniques calculate the scores for each area, means that the composite index for a given area could not be compared with the composite index for the same area at a previous point in time to gauge whether the situation had improved or disimproved. At best you might be able to say how a particular area was ‘performing’ relative to other areas (although even this would be open to question given the change in the weights), but it would not provide a very sound basis for evaluating whether a particular policy was cost effective.

The concept of a single poverty index which could be used to compare different areas at a particular point in time or to monitor the changes in a selected area over time is very attractive. However, in the absence of income data which could be used to calculate an indicator that everyone would understand (e.g. mean disposable income) then it is necessary to resort to surrogates. If these surrogates indicators are

to be combined into a single composite index, then they should ideally be combined in a consistent manner which is based upon an agreed theory of the relative importance of each indicator as a measure of poverty. Complex multivariate statistical techniques provide no substitute for such a theory. All they do is produce complicated, yet arbitrary, measures of nothing in particular.

In the absence of income data which could be used to measure poverty directly, I would suggest that it would be better to identify a number of simple indicators of poverty-related problems (e.g. unemployment, poor housing, educational deprivation, etc.). These indicators should be analysed separately, rather than combined into a composite index. They should be calculated in a way which everyone understands (e.g. simple percentages) and should also be designed to facilitate direct comparison not only between areas at present, but also facilitate direct comparison for different time periods.

Keeping things simple would also have advantages for determining policy. Even if an area is identified as severely deprived using a composite index (and even if it was assumed that other indices would also identify it as severely deprived), composite indices provide no indication as to how the problems might be tackled. However, if simple indicators are used, then it becomes much simpler to identify what sort of strategies might be required. For example, if an area has high unemployment, then the policy responses should be geared towards creating more jobs; if the area has a shortage of housing, then the response should be geared towards creating more houses; and so on. This is not to say that the policy responses should be either 'top-down' or uncoordinated. If an area has both an employment and a housing problem, then the most effective policy response might be a locally coordinated project to build houses using local labour. The main point is that the policy response should be geared towards tackling the identified problems, and not simply be a question of redirecting resources to an area to be used in a undefined manner because it scores high on a composite deprivation index.

The Spatial Framework

Attempts to identify areas of 'poverty', 'need', 'deprivation' etc. normally involve dividing the total study area (e.g. Ireland) into a number of smaller areas (e.g. counties) for which indicators or indices may be calculated. Those with the highest or lowest indicator values (as the case may be) are identified as being in greatest need. However, the choice of spatial subdivisions can have a major bearing upon the results.

The general rule of thumb is to calculate indicators for as small areas as possible, whilst remaining aware of the fact that some bizarre results might arise if the areas are too small because of what is often referred to as the small numbers problem. The smallest areas in Ireland for which census data are routinely published are referred to as DEDs (District Electoral Divisions) or wards with the County Boroughs (i.e. cities).[19] These are frequently used for geographical studies of poverty and related phenomena, but they introduce a number of problems which can easily be overlooked.

[19] The term DED will be used throughout the remainder of this paper to include urban wards, unless explicitly stated otherwise.

One limitation with DEDs is that they are essentially artificial areas. All political and administrative boundaries are to some extent artificial, but the boundaries between the larger areas generally correspond to differences in administration. For example, when you cross over a county boundary from one county to another, you move from the area administered by one county council to the area administered by another, possibly using different procedures which may have an impact upon poverty. People also identify with counties (and numerous other territorial divisions – e.g. parishes). However, DEDs serve no administrative purpose, and very few people could even tell you which DED they live in. This, in itself, is not a major problem – most alternative small areas would be equally artificial - provided that DED boundaries do not acquire a significance that is not justified. It would be foolhardy to deny an area which is obviously deprived from receiving special assistance simply because it fell on the wrong side of a DED boundary. There will invariably be situations where adjustments are required to whatever small area boundaries are used to get a justifiable outcome.

DEDs suffer from more serious deficiencies. One is that they vary considerably in terms of size (as measured by the population living within their boundaries) – in fact, the largest DED is over 1,000 times larger than the smallest. This in turn can result in a very misleading impression when the objective is to rank areas according to their score on a deprivation indicator. The reason for this is that the larger DEDs generally tend to be socially heterogeneous, therefore if they include deprived areas the deprived areas may be hidden by being included with more affluent areas. For example, suppose a DED contained two areas – one with a unemployment rate of 25 per cent and the other an unemployment rate of 5 per cent. If the two areas were the same size, the overall unemployment rate would be 15 per cent. Large DEDs will tend to have indicator values close to the national average (and therefore be excluded for special attention if, for example, targeting is restricted to the 10 per cent most deprived areas). Small DEDs, in contrast, tend to be less socially homogeneous and are therefore more likely to have low deprivation scores or high deprivation scores. Those with the low deprivation scores have a higher chance of being designated than larger DEDs which possibly contain many more households in need.

In Ireland the smaller DEDs tend to be found in areas of lower population density (i.e. rural areas). The wards in the larger cities tend to be quite large in terms of population, but they also tend to be socially homogenous, so the deprived areas in the cities tend to be captured in the indicators (see below). The areas that are especially disadvantaged by this particular problem are the medium sized towns, many of which fall within a single DED which scores close to the national average, but which contain clearly identifiable pockets of severe deprivation. These areas would have little chance of being designated for special attention if designation is dependent upon deprivation scores calculated for DEDs.

A somewhat similar type of problem, although one having a different impact, arises because comparisons are generally made between settlements of different sizes. Areas with small settlements (e.g. rural areas, villages) tend to be socially mixed, whereas large cities are socially segregated (i.e. large areas within cities are inhabited by people from similar social backgrounds, whilst people from other backgrounds live in different areas). DEDs within the larger settlements are more likely to have either very low or very high scores on deprivation indicators, whilst

DEDs in the more socially mixed areas are more likely to have deprivation scores close to the national average, and therefore be less likely to be designated. The extent of deprivation in a rural area may therefore be overlooked because of this particular problem, although the fact that many rural DEDs also tend to have small populations may also increase their chances of being designated (for reasons explained in the previous paragraph).

It is important to remember that the focus for any geographical analysis of poverty should always be people, not areas. It is very easy to fall into the trap of thinking of areas as 'having problems', rather than simply being places where people experience problems. Mapping poverty using traditional choropleth techniques can inadvertently place too much emphasis upon areas rather than people. Figure 2 shows male unemployment in Ireland mapped by DED. One's eye tends to be drawn to the large areas of high unemployment in the west. This would appear to create a strong argument for new jobs to be diverted to Donegal, Mayo and Galway. The other map in Figure 2 shows the same data, but displays it as a cartogram in which each area is represented by a circle, the size of which is in proportion to the number of people living in the area.[20] The visual impression is quite different. Many of the areas which stood out in the previous map, especially those in Mayo and Galway, have virtually disappeared because, although they have high unemployment rates, relatively few people live there. The western suburbs of Dublin in contrast, which were previously invisible, emerge as major concentrations of unemployment. If the objective is to help people in need, as opposed to areas in need, then there is an argument for prioritising these areas for new job creation.

[20] Source: Cook et al. (2000).

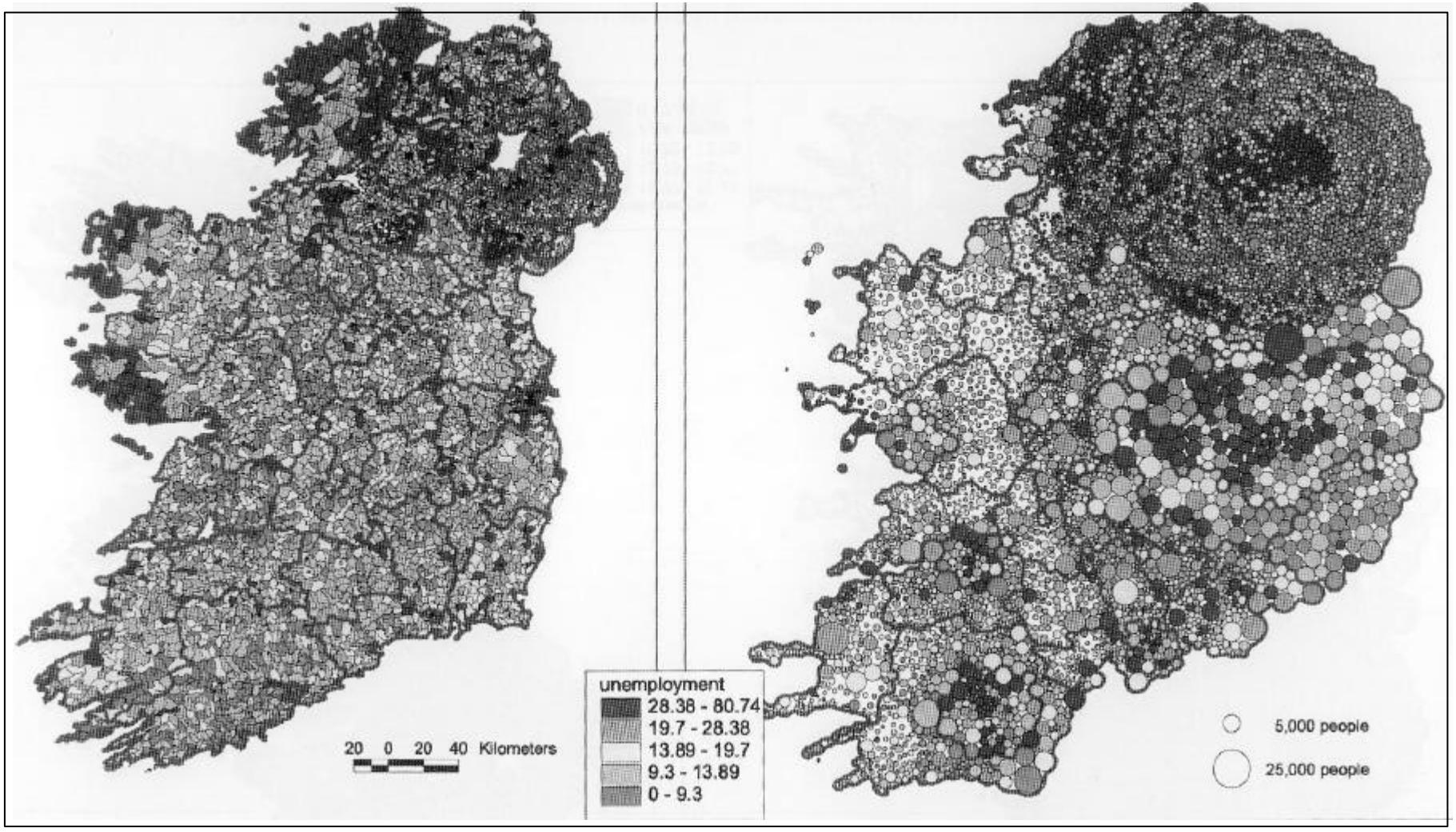

Figure 2. Male Unemployment by DED

Most of the problems discussed here arise because we divide the country into areas for the purpose of calculating indicators. However, it is possible to explore the geography of poverty without the use of essentially arbitrary areas. Image a circle with a specified radius (e.g. 20 miles). If one had information on each individual in the state geocoded as a point corresponding to their home address, one could count what percentage of the people living within the circle were unemployed or, if one had income data, one could calculate the mean disposable income of people living in the circle. These calculations could then be repeated for a second circle of similar size drawn around a second point displaced a few miles from the centre of the first point. By repeating this for a large number of circles, one could build up poverty indicator measures for a large number of points. These indicator values could then be 'contoured' to produce a map with 'hills' representing high levels of deprivation and 'valleys' representing low levels of deprivation. Additional resources could then be channelled to the 'hills' in the map.

One advantage of using this approach is that by using different sized circles, one could explore the spatial dimensions of different forms of deprivation. Some forms of deprivation are localised and require localised solutions; others affect larger areas and need to be tackled at a different spatial scale. However, this approach could only be implemented if the information on each individual was geocoded – i.e. if each person's address was recorded as a grid reference. This is technically feasible: Ordnance Survey Ireland and An Post have developed a computerised geocoding system which in theory allows each address in the state to be translated into a grid reference. However, a decision would need to be taken at governmental level to encourage all data collecting agencies to use this or a similar system to geocode their data. Funding would need to be provided to fund the software.

Steps would also need to be taken to guarantee the confidentiality of individuals who could easily be identified by anyone having access to their personal details containing a geocode. Whilst it is difficult to envisage the government grasping so many nettles simply to facilitate research on poverty, there are many other reasons why geocoding should be encouraged.

Policy Implications

If areas of poverty or deprivation could be objectively identified, then the worst affected areas could be designated to receive additional funding to help counteract their disadvantages. However, questions obviously arise as to how this funding might most usefully be utilised. I would like to finish with a few thoughts on possible policy strategies.

The first point I would make is any strategy based upon positive territorial discrimination must be seen as a supplement to, rather than a replacement for, the normal universal mechanisms for providing assistance to people in greatest need (e.g. welfare benefits, medical cards, etc.). Typically only a minority of deprived people live in deprived areas, and only a minority of people in a deprived area are actually deprived. Identifying areas of deprivation is therefore not a very efficient method of ensuring those most in need actually receive assistance. Assistance, especially assistance to cope with immediate problems, should therefore be primarily

directed at identified individuals in need rather than at designated areas. An unemployed person is still unemployed, and in need of assistance, whether they live in an affluent area or a deprived area.

Nevertheless, people's life chances are influenced by where they live. The chances of being educationally deprived, unemployed, low paid, in poor housing, in fear of violence, or in poor health are all obviously much greater in some areas than in others. Such areas should be identified and designated for special treatment to counteract their *structural* disadvantages – i.e. to counteract the processes which result in the area being disadvantaged.

Different strategies will be required depending upon the type of problem (or problems) that need to be addressed. Also, the specific causes of the problems may often be different in different areas (e.g. high unemployment in one area may arise because of a high number of school leavers, and in another area might arise because of a decline in a traditional industry, such as agriculture). Different local areas may therefore require different strategies to alleviate their problems. I would suggest that local people usually have a good idea of what their problems are and how they should be tackled, even though they may lack expertise in some areas or may benefit from advice from outside. The impetus for change should therefore, where possible, come from within the area (i.e. be 'bottom up').

One problem with many local initiatives is that there is sometimes a lack of imagination and a tendency to replicate what has worked in other others. It certainly makes sense to benefit from the experience of others, but there is a limit to what can be achieved by simply replicating successful ventures elsewhere. For example, every area now seems to have its own local tourist initiative, but there is a finite number of potential tourists, so whilst tourism may provide a solution to some of the economic problems for areas with an immediate appeal for tourists, the same success is unlikely to be replicated in other less naturally endowed areas. Such areas may need to capitalise on other resources. Local people are again in the best position to come up with new ideas. The point I wish to make is that they should be encouraged to be imaginative. Local area schemes should be regarded as an opportunity to experiment, without too many constraints being placed upon the projects to deliver short-term results.

Government clearly has an important role to play.[21] I would see government fulfilling at least three essential roles. First, it should try to ensure that resources are allocated to areas according to their need, rather than simply to those who shout loudest. This would require the development of indicators along the lines discussed in the previous sections of the paper. Second, given that projects are supported from public funds, there is a requirement to ensure that these funds are not being misappropriated. However, this needs to be handled sensitively. There is a very fine line between monitoring how resources are utilised and such monitoring becoming overly bureaucratic or used as a top-down management tool (e.g. by withholding funding from projects that do not satisfy specific criteria). Thirdly, government has an

[21] The term 'government' is used loosely here to refer to central government, local government and European Community bodies and agencies of all types, in contradistinction to local community groups, whether formal or informal.

important advisory role to play, drawing for example on the experiences of experimental projects which may or may not have succeeded.

It is important to be aware of the importance of spatial scale. Schemes to tackle certain types of problems may require a very localised strategy (e.g. at the level of a village, or a single housing estate in a county town). Other schemes will require a broader based approach, maybe at the level of a county or several counties. The funding mechanisms should be flexible enough to accommodate schemes at a variety of scales.

Finally, it must be recognised that there is a limit to what can be achieved at local level. Just because a particular problem may be concentrated in a particular local area is no indication that the causes of the problem, and therefore its possible solutions, originate from within the area. Many localised problems are simply the localised manifestation of processes that operate at a national or global level. Whilst area-based strategies may be able to alleviate some of the symptoms of these problems, there is very little that they can do about the causes.

Recommendations

The principal recommendations arising from this review may be summarised as follows:

- There is a need for objective studies of the spatial distribution of poverty.
- These studies should use measures which facilitate not only comparisons between areas at a given point in time, but also comparisons within areas between different time periods.
- Indicators should be measured in a way which permits temporal comparisons.
- Poverty should ideally be measured by an income measure
- If surrogate measures must be used, then they should be analysed separately. At least that way you have some way of knowing what you are looking at.
- DEDs are not very suitable for small area analysis. They should be replaced, as a minimal requirement, by a set of smaller areas more uniform in size for census and other data collection purposes.
- Geocoding would permit indicators to be calculated for areas of any given size or shape. It would also permit more detailed analyses using ‘moving circles’ of different sizes. Government agencies should be encouraged to adopt geocoding for record keeping purposes.
- Area-based schemes should, where possible, capitalise on local initiative and expertise to counteract the structural causes of poverty and deprivation in the worst affected areas.
- Different problems require different solutions in different areas. Government has an important role to play in fostering a diversity in approach.

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Social Inclusion in a Rural Area of Munster

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Abstract

A case study of rural poverty conducted in the IRD Duhallow area in 2000 shows a significant number of rural households experienced social exclusion. The study identified three categories of vulnerable households; (i) low-income-farm households, (ii) households where the head is long-term unemployed and (iii) households composed of elderly persons only.

In economic terms poverty was taken to exist if the disposable household income per adult equivalent was less than £86.34 per week. Eighty percent of Unemployed households were poor in these terms with a high proportion having dependent children. The disconcerting aspect of farm households in poverty was the relatively large scale of operation where incomes were below the poverty line. Poor farm households farmed on average 27 ha and for those in dairying the average milk quota owned was 19,400 gallons.

Deprivation indicators such as the possession of selected household facilities and lifestyle conditions also indicated social exclusion among the selected categories. In general these analyses reinforced the economic findings.

Other aspects of social exclusion were the long distances many households were from essential services. Subjective aspects of being poor were reflected in the proportions who felt they were 'cut-off' or who experienced a stigma or sense of shame at being poor.

Introduction

In the programme for Prosperity and Fairness there is an acknowledgement that poverty and social exclusion are still a stark reality for many living in Ireland. A specific commitment and objective of the programme is to 'reduce poverty and social exclusion, build an inclusive society, reduce marginalisation and strengthen recognition of citizenship obligations' (Dept. of the Taoiseach, 2000, p78). This commitment extends also to rural poverty to be tackled 'in a comprehensive and sustained manner'.

The tendency in the past was to associate poverty particularly with urban areas where disadvantage and associated social problems were concentrated in specific areas. By contrast rural poverty was more dispersed and less visible, and often regarded as less harsh as if the 'rural idyll' in some way compensated or softened the problem. These attitudes toward rural poverty are now rapidly changing and indeed it can be argued that being poor in a relatively affluent context is even more damaging to those affected. In this paper it is proposed to look at poverty in some depth, in a rural area remote from major urban influences, on a case study basis.

Methodology

For practical reasons the selection of a study site was confined to Munster. On the basis of a cluster analysis technique using selected census data at DED level, for 1991 and 1996 a typology of DED's in Munster identified five distinctive types of area (see Map 1). These analyses were used to identify a study site location, which was relatively rural and remote. Additionally it was apparent that the co-operation and assistance of a locally based agency was required to carry out the study. In this regard we were fortunate to successfully canvas the interest and help of IRD Duhallow. Map 2 shows the extent of the IRD Duhallow area covering a large part of North West Cork and a number of DED's in East Kerry. In this respect it is not claimed that the IRD Duhallow area is representative of other rural areas in Munster but does no doubt reflect conditions in other more remote parts.

From the results of poverty studies in Ireland and elsewhere it was established that selected categories of rural populations are prone to poverty and social exclusion. Three categories were identified (i) low-income farm households (ii) households where the head of household was unemployed long term and (iii) households consisting of elderly people only (over age 65). These categories of household are sub-sets of the overall population and do not exist in this format either in the Census of Population or the Agricultural Census. Consequently there were no populations available from which a sample could be selected or about which general conclusions could be drawn. Cognisant of this deficiency it was necessary to assemble the relevant populations on the basis of local documentation and knowledge.

With regard to low income farm households, households where the farm operator was a full-time farmer and where the size of the enterprise was less than 50,000gls of quota, or less than 60 suckler cows were taken to be potentially in poverty. The relevant population was compiled with reference to existing files in the local Teagasc offices, from the IRD Duhallow records and from the cooperation, knowledge and judgements of personnel from the agencies. In all 144 such households were identified.

Unemployed households were defined as those where the head of household was unemployed for at least the previous four months. Reference to the latest available data on unemployment for the Duhallow area show that there were 956 unemployed persons in the region in 1996. With the assistance of the local office of the Department of Social, Community and Family Affairs, heads of households unemployed in July 2000 were contacted by letter if they would participate in the study. In all 75 positive replies were obtained and their names and addresses supplied. These constituted the relevant population.

In a similar manner the Census of Population (1996) shows that in the Duhallow area there were 1487 persons aged 65 or more and living alone or with another person over 65. However, it was not possible to obtain individual data concerning their identification. Consequently it was necessary to use local information provided by voluntary agencies to establish the relevant population. In this manner 122 households were identified. While there is no definite way of knowing the completeness of these populations care was taken to check and recheck the completeness with all the available sources.

By way of summary Table 1 outlines the population and sample procedures adopted in the study.

Table 1: Overview of population and sample selection

	Farmer	Unemployed	Elderly
Population	2072[1]	956	1487
Sub-population	144	75	122
Interviewed	113	62	79
Refusals/non contacts	31	13	43
% Interviewed	78	83	65
Usable Interviews[2]	126	40	68

[1]Total farms in 1991

[2]Twelve households originally in the Unemployed category were engaged in farming and were transferred to that category for analysis. Likewise two Elderly households were also transferred to the farm category.

In all 234 completed questionnaires were obtained from personal interviews of heads of households in the area in the period May 2000 to August 2000. As indicated in Table 1 the identified populations in the three household categories were taken as the relevant samples. In this situation the question of the representation does not arise.

Poverty and Social Exclusion Measurement

The concept of social inclusion is one, which encompasses the notion of society as an inclusive one and where deviations from the inclusivity can be measured in the form of poverty and social exclusion. In this study the concept of social inclusion is considered to have three interdependent dimensions namely (i) economic (income), (ii) consumption (lifestyle/deprivation) and (iii) social networks and personal aspects. The approaches adopted in this study to measure poverty and social exclusion are described below.

Economic Dimension: Disposable income per adult equivalent is the usual criterion used to measure poverty in economic terms. Households are said to be poor if their incomes are less than a specified proportion of the average national income, the proportions usually ranging from 40%, 50% to 60%. This requires an accurate measure of income, in this case household income. For this purpose detailed information was obtained using a structured questionnaire for the three specified categories. Farm income was derived by assigning standard income figures to units of production such as, dairy cows, livestock units of dry cattle or hectares of crops. These standard income figures were taken from the National Farm Survey for 1999. Other income levels were obtained by direct questions to the head of household, the target interviewee, and gross annual incomes for the head of household and spouse were obtained. Information on the incomes of other household members was not available and therefore it was not possible to calculate total household income. Taking into account the household demography for the Elderly especially, the Unemployed and to a lesser extent the Farm Households, the likely difference in available household incomes due to this difficulty is probably not a critical factor.

Disposable household incomes were derived by deducting estimated income tax and RSI payments from the Gross Household income.

To standardise for household size and demographic characteristics a household adult equivalence score was calculated. The approach adopted followed that of Callan et al. (Callan, T., Nolan, B., Whelan, B.J., and Williams, J. 1996). A value of 1.0 was assigned to the head of household, other adult household members had a value of 0.66 while a value of 0.33 was assigned to children (household members less than 16 years old). Using this methodology an adult equivalent value was calculated for each household. The disposable household income (discussed above) was then divided by the number of adult equivalents and by 52 to give a weekly disposable income per adult equivalent. This is the figure which is then compared with the national figure for 2000 calculated to be £172.69 per adult equivalent per week[1]. Taking the 50% poverty line it is then calculated that households with less than £86.35 per adult equivalent per week were in poverty.

Consumption/Lifestyle: Household deprivation is measured on the basis of the presence or absence of a number of deprivation indicators such as adequate heating, a substantial meal every day, a warm waterproof coat, selected household facilities such as refrigerator, etc. In all 24 such indicators were selected (following previous work by Callan 1996) and data obtained by survey methods on the lack and enforced lack of these items. Deprivation scores were derived for each household on the basis of a score of 1 for lack or enforced lack of an individual item and 0 if they were not lacking, and aggregated across the 24 items.

Social Networks and Personal Aspects: While the concept of social inclusion is a dynamic and wide reaching idea, measurement is confined to a number of issues including availability of services, participation of household members in social networks as well as some subjective views of poverty.

Results

The presentation of results follows the outline indicated in the methodology; namely income, deprivation and social networks/personal aspects for the three categories of household.

Income as an indicator of poverty

From the data on household composition the average adult equivalents for each household was estimated. Similarly from data available disposable household income per week for all households was estimated. The results of these analyses for the three household categories examined are presented in Table 2. Because of a lack of data on population parameters it is not possible to estimate population values as already discussed.

[1] The latest national figure available is £156.96 (ESRI) for 1997. Applying the consumer price index that was updated to June 2000

Table 2: Average household adult equivalents and disposable household income per week per adult equivalent for different household categories

	Farm Households	Unemployed	Elderly
Avg. adult equivalent	2.3	2.4	1.2
Avg. disposable income	£128	£70	£73

The data show clear differences between the household categories. Elderly households have on average 1.2 adult equivalents as compared with 2.3 and 2.4 for Farm households and Unemployed households respectively. Unemployed households have by far the lowest level of disposable income per adult equivalent, estimated to be £70 per week as compared with £73 and £128 for the Elderly and Farmer categories.

To examine the extent and depth of poverty within the three categories it is necessary to compare these incomes with the national average. The results of this analysis are shown in Table 3 for three different poverty lines, namely the 40%, 50% and 60% lines.

Table 3: Relative income poverty lines at the 40%, 50% and 60% levels and the proportions of households falling below those levels for different household categories

Poverty Line	40%	50%	60%
Relative income level	£69.07	£86.34	£103.61
Farm households %	21	36	47
Unemployed %	50	83	95
Elderly %	7	28	79

At the most severe definition of poverty (the 40%) households with a weekly income per adult equivalent of £69.07 or less are taken to be in poverty. By contrast the maximum income to be in poverty at the 60% relative income line is £103.61 per week. At the 50% line, which is the level most commonly used in poverty studies it is £86.34.

Major differences in the proportion of households in the different poverty lines are found between the categories. For instance only 7% of Elderly households are in poverty at the 40% line in comparison with 50% of the Unemployed. However, at the 60% level the different circumstances between the two categories are not so dramatic; the proportion of Elderly under the poverty line being 79% as compared with 95% for the Unemployed. The farm population however, shows a different picture of this level of analysis, with 21% of households in poverty at the 40% line increasing to 47% at the 60% line. This is likely accounted for by the definition of farm households 'under pressure' in defining the farm population. Levels of milk quota up to 50,000 gallons were taken and up to 60 suckler cows.

Further analysis on extending the relative income beyond the 60% line for the three categories show that 27% of farm households had incomes in excess of the national weekly average (£172.68) while 3% of Elderly households were also in that position. None of the Unemployed households in the sample exceeded the national figure.

Detailed analysis of the source of income for different household types, level of state transfers and household characteristics were also carried out. Results are shown for each household category for those below the 50% poverty line (the most widely used definition) and for all households in the categories.

Income sources: In the case of farm households data on type of farm enterprise and financial returns are shown in Table 4.

Table 4: Farm Characteristics and financial returns for Poor Farm households and for all Farm households

Characteristic	'Poor'	All Farms
Percent in dairying	49	63
Percent in dry-stock	51	37
Milk quota gallons*	19400	23500
No. of cattle**	45	58
Farm size (ha)	28	34
Family farm income (£)	6000	9,900
Disposable household income	9,200 (£177wk)	14,300 (£275/wk)
Percent of sample	36	100

***Refers only to farms in dairying
****Excludes dairy cows

The results show that there were significant differences between the poor farm households and all farm households on all aspects considered. A higher proportion of poor households are mainly in dry-stock systems, have a smaller farm size and ultimately a lower farm income. A notable feature however is the relatively high milk quota level (19,400gls) of those in poverty. Another aspect of note is the extent to which disposable household income exceeds Family Farm Income. This reflects the fact that a number of operators or spouses had an off-farm income despite the effort to omit them in the original sample frame.

The income sources of Unemployed households and Elderly households are summarised in Table 5.

Table 5: Income sources and levels of household income for Unemployed and Elderly households

	Unemployed		Elderly	
	Poor	**All**	**Poor**	**All**
% HoH with social welfare payments[1]	100	100	-	-
% Spouse with social welfare payments	25	27	-	-
HoH has job	27	25	-	-
Spouse has job	8	12	-	-
HoH has pension	-	-	90	94
Spouse has pension	-	-	0	24
Disposable household income	£135.61	£142.81	£94.11	£101.01
Percent of sample	83	100	28	100

[1]Includes family income support and FAS

More than 80 percent of Unemployed households are estimated to be poor in contrast with 28 percent of Elderly Households. The larger disposable household incomes in Unemployed households clearly are not sufficient to provide for the larger households of the Unemployed.

With respect to state transfers it is clear that Unemployed households and Elderly households exist mainly on state transfers either in the form of social welfare payments for the former and state pensions for the latter. With regard to farm households the situation is somewhat different as shown in Table 6.

Table 6: Type and level of state transfers to Farm households

	Poor	**All Households**
% Receiving Farm Assist	29	14
% Receiving other	11	25
Avg. weekly state transfer	101.75	112.00
Amount of Farm Assist	83.37	73.99
State transfer % of disposable income	23	18

As expected the main state transfer of benefit to farm households was the Farm Assist Scheme which was introduced in April 1999. In the case of poor Farm households this scheme accounted for 23% of disposable household income or £83.37 per week. On the basis of income measures of poverty a higher proportion would be expected to benefit from Farm Assist.

Selected household characteristics are summarised in Table 7 for Poor Farm households and for all households in the Unemployed and Elderly categories.

Table 7: Household characteristics of the different household categories

Characteristic	"Poor Farmers"	Unemployed	Elderly
% HoH married	76	60	28
% HoH single	24	23	27
% HoH with primary education only	68	30	87
% of households with children	62	68	-
Avg. No. of children	1.6	1.7	-
Avg. Hsh size (adult equivalent)	2.8	2.2	1.2

For Poor Farm households more than three-quarters were married and 62% had children. Poor farm households had the highest adult equivalent level at 2.8. For Unemployed households the profile did not differ substantially from that of poor farm households in terms of number of children and adult equivalents, but with respect to marital status 60% of them were married and 23% were single. However, 17% of household heads were either separated or divorced. With regard to the Elderly households 53% of heads of household were either widows or widowers. Major education differences were found between the categories, for instance 68% of farm heads of household had primary education only compared with 30% for the Unemployed.

Deprivation as an Indicator of Exclusion

Exclusion is a multidimensional phenomenon and apart from income one of the most widely measured aspects is in terms of lifestyle or consumption factors. In particular ESRI studies have identified a range of items which measure the relative deprivation of households. In this study the ESRI approach was generally followed.

With respect to 24 selected indicators considered desirable for 'ordinary life in society' (See Appendix Table 1) information was obtained on the possession or lack of each item. If a household indicated that they could not afford a particular item this was termed as 'an enforced' lack. For each indicator where an enforced lack was indicated a score of 1 was applied, otherwise a score of zero was recorded. In this way it was possible to measure the level of deprivation of a household. The results for the three household categories are summarised in Table 8.

Table 8: Percent of households by different levels of deprivation by household category

Deprivation level	Farm %	Unemployed %	Elderly %
0 - None	40	25	37
1 – 2 indicators lacking	42	30	32
3 - 5 indicators lacking	15	23	18
6 or more lacking	3	22	13
All	100	100	100
Average Score	1.5	3.1	2.1

The results show significant differences between the categories. Twenty-two per cent of Unemployed households had an enforced lack of 6 or more indicators while the corresponding figure for elderly households was 13. The Farm households were much better provisioned in this regard with only 3% indicating an enforced lack of 6 or more items and 40% with none.

The single factor which caused the most widespread deprivation was the lack of a weeks holidays (See Appendix Table 1); 48% of the Unemployed, 27% of Farm households and 25% of the Elderly. The inability to replace worn out furniture was also a major difficulty for the Unemployed (45%), for the Elderly (34%) and for Farm households (12%). Lack of adequate heating was a significant difficulty for many households; 28% of the Unemployed, 19% of the Elderly and 14% of Farm households. With regard to the lack-of indicators (as opposed to the enforced lack) it is shown in Appendix Table 1 that 62% of Elderly households do not have a car compared with 28% of Unemployed households and 2% of Farm households. However, none of the Elderly households indicated that it was an enforced lack.

Social Exclusion In A Wider Context

While relative income and deprivation measures are more suited to empirical enquiry it is accepted that social exclusion and poverty can not be confined to these aspects alone. In the study an attempt was made to identify and if possible measure the extent of some of these 'less researched' dimensions. In particular, social inclusion was considered to include (i) access to essential services, (ii) participation in local organisations, (iii) interaction with friends or neighbours and (iv) usage of mass media. In addition the more subjective aspects of exclusion/inclusion were considered.

Access to Services: With respect to access to a range of essential services, data on the availability and distance to nineteen different services were obtained by way of interview. Services such as schools, church, home-help, post-office, bank, doctor, etc were included. The availability of services were considered to be local if they were less than one mile from the household residence, medium if available between one mile and five miles and distant if they were five miles or more. Table 9 is a summary of the results.

Table 9: Percent of households by availability of selected service for different household categories

Service	Farm			Unemployed			Elderly		
	L	M	D	L	M	D	L	M	D
	%	%	%	%	%	%	%	%	%
Post Office	1	82	17	25	55	20	24	66	10
Doctor	0	33	67	20	33	47	15	42	43
Bus Stop	0	31	69	23	38	39	15	31	54
Primary	2	84	14	25	55	20	-	-	-
Secondary	0	32	68	20	30	50	-	-	-
Church	2	86	12	23	58	19	22	69	9
Shop	2	87	11	25	50	25	22	69	9
Chemist	0	43	57	18	28	54	10	41	49
Creche	0	21	79	18	25	56	-	-	-
Job Centre	-	-	-	20	20	60	-	-	-
S. Welfare	-	-	-	18	23	59	9	28	63

L = Local (< 1 mile) M = Medium distance (1 mile < 5 miles) D = Distant (> 5 miles)

In general many, or even most of the essential services required in daily living were remote for a substantial proportion of families. For instance the nearest doctor/health clinic for more than two-thirds of the Farmer category was five miles or more while the proportions for the Unemployed and Elderly categories were 47% and 43% respectively. With respect to public transport the nearest bus stop for 69% of the Farmer category was more than five miles. Similarly 39% of the Unemployed category and 54% of the Elderly were more than five miles from a bus stop. One of the most basic needs – the local shop was more than five miles distant for a quarter of the Unemployed category and for 9% of the Elderly. The most significant difference between the categories was the very low proportion of the farmer category with local access to any of the services. This is indicative of the dispersed location of farmers in the community.

Participation in Local Organisations: Data on the involvement of household members with respect to fourteen selected organisations was obtained in the study. Table 10 is a summary of the membership of household members in these organisations (See Appendix Table 2) for individual organisation membership).

Table 10: Percent of households by membership of local organisations by household category

No of Organisations	Farm	Unemployed	Elderly
	%	%	%
None	24	82	70
1 – 2	52	13	30
3 or more	24	5	0
Total	100	100	100

Clearly there were differences between the household categories in terms of their membership of local organisations. Less than a quarter of farm heads of households were not members of local organisations compared with 82% of the Unemployed and 70% of Elderly. However as can be seen from (Appendix Table 2) this is due to their

membership of farm organisations such as IFA and ICMSA, which are representational organisations. Taking this situation into account it is evident that only a minority of households in any of the categories were members of local organisations.

Interaction with friends and neighbours: Data was obtained on involvement in a number of informal social networks especially family and community activities. Involvement was confined to participation of heads of households rather than a more qualitative or in-depth aspects of human interactions. To measure this involvement respondents were asked how often they participated in a series of seven activities over the previous month. The seven activities were (i) visit with relatives/friends (ii) go playing cards (iii) night classes (iv) go for a drink (v) cinema/theatre (vi) go to a match and (vii) have a friend or relative visit. Involvement for each activity was scored 0 for never, 1 for once a month, 2 for two/three times a month and 3 for once a week or more. On this basis the aggregate possible scores ranged from a minimum of 0 to a maximum of 21. The results are summarised in Table 11, by different levels of participation.

Table 11: Percent of households with different involvement scores of head of households in informal social networks by category of household

Involvement Score	Farm %	Unemployed %	Elderly %
None	0	3	0
Low, (1 < 7)	31	52	57
Medium, (8 < 13)	60	43	40
High, 14 plus	9	3	3
Average Score	8.2	6.5	6.8

The results show that heads of farm households had the highest average score at 8.2 and this was significantly different from the other household categories. A clearer picture of involvement levels is obtained when scores are broken down into different participation categories. Taking the medium level of participation (score of 8 to 13) the Farmer category had a much higher score than either the Unemployed or the Elderly category. Visiting a friend/relative or having a friend/relative as a visitor are the activities most commonly engaged in by all household categories (See Appendix Table 3). Conversely, the activities least engaged in were (a) going to the cinema/theatre (b) night classes and (c) going to play cards. While it is difficult to draw general conclusions from the data it does appear that traditional kinship/neighbourhood networks of social relationships exist to a fair degree.

Media Usage: Another component of participation in networks concerns the use of media by households. Heads of households were asked if they read (i) a daily newspaper (ii) local weekly newspaper (iii) Farmers Journal (iv) Sunday newspaper or (v) listened to the main news either on radio or watched it on TV. The results are summarised in Table 12.

Table 12: Percent of heads of households using selected media by household category

Medium	Farms %	Unemployed %	Elderly %
Daily Newspaper	40	25	50
Local Weekly Newspaper	82	59	72
Farmers Journal	65	3	6
Sunday Newspaper	57	48	60
Listen/watch news	97	100	97
Average Score	3.4	2.3	2.9

Those in the Unemployment category were the lowest users of mass media and even when the Farmers Journal is omitted, which favours the Farmer category this conclusion holds. The main difference was the lower readership of a daily newspaper. It can be taken that the purchase of newspapers is a discretional expenditure which low-income households must forego.

Subjective Aspects of Poverty and Exclusion: From the literature on poverty and exclusion it is clear that the subjective or psychological views of poverty and exclusion are just as important as the behavioural or situational aspects. However, the quantification of poverty in this respect is not well signposted but there are sufficient references to identify aspects of the psychology of poverty to guide research.

A feeling of isolation is one aspect which reoccurs in the literature. This is not necessarily confined to physical isolation or remoteness but it is a feeling of being 'cut-off' from meaningful social intercourse or a perception of being 'outside the circle'. Another aspect is the feeling of stigma or shame at being poor. These are loaded sentiments acquired by people in poverty and are in a sense a measure of their perceived inadequacy in relation to the norms in society and the standards to which they aspire.

Subjective aspects which are less emotionally charged than individuals' feelings are the more cognitive opinions and attitudes as to what poverty is, how they perceive the various institutions' treatment of the poor and how they perceive their own situation, now and in the future. These aspects were also considered in the study and information was obtained by personal interview of heads of households.

Feelings and Sentiments: With respect to isolation respondents were asked the question 'Do you feel isolated in any way' and if so in what way? The results are presented in Table 13.

Table 13: Percent of households who felt isolated by category of household

Isolated	Farm %	Unemployed %	Elderly %
Yes	23	40	22
No	77	60	78

Apart from Unemployed households the proportions who indicated a feeling of isolation was just over 20%. However, the proportion for Unemployed households was 40%. Expanding on how they felt isolated, Unemployed households in particular felt they were 'cut-off' or otherwise distant from essential services. The main difficulties mentioned by the Elderly were lack of public transport, distance from services and living alone.

Respondents were also asked the question; Do you think there is a certain stigma attached to being poor in an area like this? The responses are summarised in Table 14.

Table 14: Percent of households with different views on a stigma being attached to poverty by household category

Stigma	Farm	Unemployed	Elderly[1]
Yes	49	50	-
No	45	50	-
Don't Know	6	0	-
Total	100	100	-

[1]Elderly households were not asked this question

For both household categories approximately half the households felt there was a stigma attached to being poor.

Attitudes and Perceptions: Central to an understanding of poverty is how it is perceived or what it means to poor people themselves. In this connection respondents were asked the question; what in your opinion is meant by 'living in poverty'? The answers to the open-ended question were coded into a number of categories and the results are presented in Table 15.

Table 15: Percent of respondents with different perceptions of poverty by household category

Perceptions	Farm %	Unemployed %	Elderly %
Lack of money/cannot afford essentials	50	65	66
Not enough to eat	30	23	15
Homelessness	11	10	16
Other	9	2	3
Total	100	100	100

The predominant view of all categories was that the meaning of poverty was a lack of money and not able to afford the essentials for living. A smaller proportion considered the more basic need of not having enough to eat as the essence of poverty. Being homeless was the meaning of poverty for a minority in the categories. While it is obvious that respondents had different frames of reference in shaping their replies (ranging from a world/famine point of view, to local conditions and probably reflecting their own situation) the overall view focussed on monetary aspects and living conditions. This result seems to affirm the level of attention given to income and lifestyle considerations in poverty studies generally.

Perceptions of the way the major institutions in society treat the poor were also examined. Respondents were asked; 'How do you think poor people are treated by (i) financial institutions, (ii) 'social services (iii) health services and (iv) the churches. The replies are summarised in Table 16.

Table 16: Respondents perception of how selected institutions treat the poor by household category

Institution	Farm %	Unemployed %	Elderly %
Financial			
Well/Good	9	13	16
Moderately	26	10	28
Bad/Very Badly	58	60	31
Don't Know	7	17	25
Total	100	100	100
Social Services			
Well/Good	50	63	75
Moderately	27	15	13
Bad/Very Badly	16	20	4
Don't Know	7	2	8
Total	100	100	100
Health Services			
Well/Good	56	77	74
Moderately	18	8	15
Bad/Very Badly	23	13	7
Don't Know	3	2	4
Total	100	100	100
Churches			
Well/Good	43	65	78
Moderately	33	20	6
Bad/Very Badly	22	10	9
Don't Know	2	5	7
Total	100	100	100

The results show that different perceptions are held about the way the major institutions treat poor people. In general the financial institutions are considered to treat the poor badly. In particular the Farmer and Unemployed categories hold this view while the Elderly are less sure. By contrast the Social Services and the Health Services are held in good esteem by the majority in all categories. With regard to the churches 78% of the Elderly category perceived their treatment of the poor as either good or very good. The corresponding figures for the Farm and Unemployed categories were 43% and 65% respectively.

A final aspect of perceptions was to examine respondents' own views in respect to their own poverty status. Heads of households were asked if they regarded themselves as being poor. The results are presented in Table 17.

Table 17: Respondents' assessment of their own poverty status by household category[1]

Perceived Poverty Status	Farm %	Unemployed %
Poor	7	28
Close to poverty	31	44
Not poor	62	28
Total	100	100

[1]*Data on this aspect not available for Elderly Households*

Unemployed households are four times more likely to perceive themselves as being poor than farm households. Conversely more than 60% of farm households view themselves as not poor compared with 28% of the Unemployed. Besides, these subjective assessments correspond reasonably well with the results of the relative income analysis (Appendix Table 4). It can be taken that these subjective assessments are largely in agreement with the relative income analysis and in this way validate the study findings.

Income analysis is a measure of poverty at a point in time and does not take into account the possibility of temporary deviations from longer-term trends which may arise. To get some insight into the longer-term aspects and persistence of poverty, heads of households were asked how their present household circumstances compared with (i) five years ago or (ii) what the expectations were for the future. Table 18 presents the results with respect to 5 years ago.

Table 18: Respondents' perceptions of household circumstances compared with 5 years ago by household category

Perceived Circumstance	Farm %	Unemployed %	Elderly %
Better Off	28	22	35
About the Same	27	22	34
Worse Off	45	56	31
Total	100	100	100

From these results it appears that poverty is not a static condition but overtime swings to make households either worse off or better off. For many households, particularly the Unemployed and the Farm households the perceived tendency was toward a worsening of their situation but this would be expected given the criteria for sample selection in the first instance.

Respondents' views as to how their household circumstances might be in the future are summarised in Table 19.

Table 19: Respondents' expectations of future household circumstances by household category

Expectation	Farm %	Unemployed %	Elderly %
Better Off	42	62	26
About the Same	29	30	59
Worse Off	29	8	15
Total	100	100	100

In general households seemed optimistic about the future and particularly those households headed by an unemployed person. More than 40% of Farm households were also optimistic but 29% held an opposite view. The majority of Elderly households perceived that their situation would stay about the same.

Discussion and Conclusions

For the three categories identified it is clear that substantial numbers of rural households experienced social exclusion in a number of ways. Considering relative incomes it was estimated that households headed by a long term unemployed person were very likely to be in poverty; for instance when the 50% relative income poverty line is taken (the most usual definition of income poverty) which amounts to £86.34 of disposable income per adult equivalent per week more than 80% of Unemployed households were in poverty. The particular circumstances which assign so many in this category to poverty was the relatively large proportion of households with children. At this level of relative income more than a third of farm households were also in poor circumstances whereas the corresponding figure for the Elderly was 28%. It is also shown in the study that the predominant source of income both for the Unemployed and the Elderly were state transfers. Based on these results it might be concluded that state transfers for the Elderly are more adequate than for the Unemployed. With regard to the Farmer category it is disconcerting as to the scale of farming in which farm households find themselves poor in relative income terms. For instance the average milk quota of Farm households in poverty was 19,400 gallons. Similarly the average size of farms was 27 ha and the average number of cattle in drystock systems was 45. In income terms at least it is clear that farming on a full-time basis is for many farm households a destination to poverty.

To a large extent the deprivation analysis confirms the relative income analysis. These measures reflect the degree to which households enjoy a lifestyle which is generally considered as desirable for ordinary life in society. From the analysis it is clear that the Unemployed 'suffer' most in these terms.

While the analyses of incomes and deprivation are located within the conventional poverty framework the more speculative and innovative aspects of the study concern the human and subjective dimensions of poverty. It is clear from the study that many of those in poverty predictably do not hold the financial institutions in very high esteem. By contrast the Social Services and Medical Services are in general highly

regarded by all the categories investigated. The perceptions of the churches were somewhere in between. Finally, it is revealing that so many in poverty held negative feelings about their circumstances and of those in poverty.

In particular it is 'disturbing' that so many (40%) of the Unemployed feel isolated or 'cut off' in their poverty. Likewise about half of those Farm and Unemployed households felt there was a stigma attached to poverty implying a sense of shame or failure. These are very powerful sentiments and probably held by those who experienced better circumstances in the past. It is essential that the dynamics of poverty, that is the fortunes and misfortunes that apply to family circumstances are fully understood and taken into account when formulating and applying policy measures dealing with low incomes in rural areas.

In conclusion it must be acknowledged that the present study is based on a case study investigation. No attempts are made to estimate national or regional values concerning the incidence of poverty in the selected categories. Rather the emphasis in the study is to examine the nature and extent of poverty and the manner in which the elements of social inclusion can be best achieved. Notwithstanding these detractions it is revealing that an area, such as Duhallow, has its own poverty problem.

Acknowledgements

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Appendix

Table 1: Percentage in each category indicating a lack and enforced lack of selected level of living indicators

Indicator	Farm		Unemployed		Elderly	
	%		%		%	
Refrigerator	2	(2)	3	(0)	6	(6)
Washing machine	8	(2)	8	(8)	16	(7)
Telephone	9	(3)	20	(13)	9	(3)
Television	1	(0)	5	(3)	15	(6)
Video Recorder	21	(3)	23	(8)	65	(3)
Family car	3	(1)	28	(13)	62	(0)
Microwave	51	(8)	60	(5)	65	(0)
Dishwasher	68	(12)	98	(8)	96	(2)
Central Heating	21	(3)	23	(8)	32	(18)
sDamp-free home	17	(10)	33	(18)	22	(13)
New clothes	3	(2)	20	(20)	12	(7)
Warm overcoat	6	(2)	8	(8)	12	(3)
Adequate footwear	2	(1)	5	(3)	3	(2)
Able to replace worn out furniture	19	(12)	45	(45)	40	(34)
Hobby/leisure	53	(10)	35	(13)	41	(6)
Roast once a week	4	(2)	5	(3)	9	(6)
Meat/fish every 2nd day	3	(0)	18	(13)	4	(4)
Weeks holiday	79	(27)	83	(48)	76	(25)
Bath/shower	2	(2)	5	(5)	7	(7)
Indoor toilet	2	(2)	5	(5)	6	(6)
Hot running water	2	(2)	3	(3)	10	(10)
*Lack of heating	14	(14)	28	(28)	19	(19)
*Rot in windows or floors	13	(13)	15	(15)	9	(9)
*Roof leaking	8	(8)	13	(13)	12	(12)

Enforced lack in brackets

*Presence denotes deprivation

Table 2: Percent of households with membership in selected organisations by household category

Organisation	Farm %	Unemployed %	Elderly %
IFA	57	3	0
ICMSA	37	0	0
UFA	3	0	0
Macra na Feirme	2	0	0
GAA Club	20	18	7
ICA	3	2	6
Youth Club	4	5	2
Political Party	15	3	5
St. V. de Paul	3	0	0
Drama/Arts/Music Society	5	5	2
Comm. Assoc.	13	10	7
IRD Duhallow	6	3	0

Table 3: Level of involvement in seven informal activities by household category[2]

	Never	Once a month	2-3 times a month	Once a Week
Farm Households				
Visit Friends/ Relatives	18	25	12	44
Go Card Playing	74	9	0	17
Night Classes	91	6	0	3
Go for a drink	28	9	6	57
Cinema/ Theatre	83	12	2	3
Go to a match	44	22	4	30
Have a friend/relative visit you	5	25	10	60
Unemployed Households				
Visit Friends/ Relatives	20	20	13	47
Go Card Playing	90	0	0	10
Night Classes	95	0	3	2
Go for a drink	40	25	0	35
Cinema/ Theatre	92	8	0	0
Go to a match	60	25	5	10
Have a friend/relative visit you	16	12	10	62
Elderly Households				
Visit Friends/ Relatives	19	18	6	57
Go Card Playing	75	3	0	22
Night Classes	98	2	0	0
Go for a drink	71	6	0	23
Cinema/ Theatre	97	1	0	2
Go to a match	71	21	1	7
Have a friend/relative visit you	15	13	10	62

[2]Refers to month prior to the survey

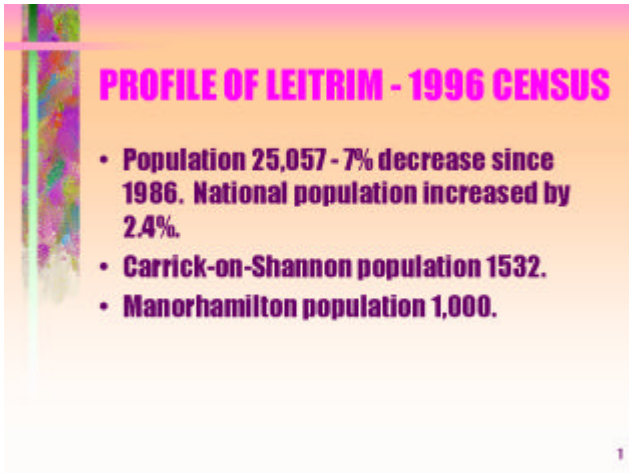
Table 4: Percent of respondents with different assessments of their poverty status by Relative Income Poverty Lines

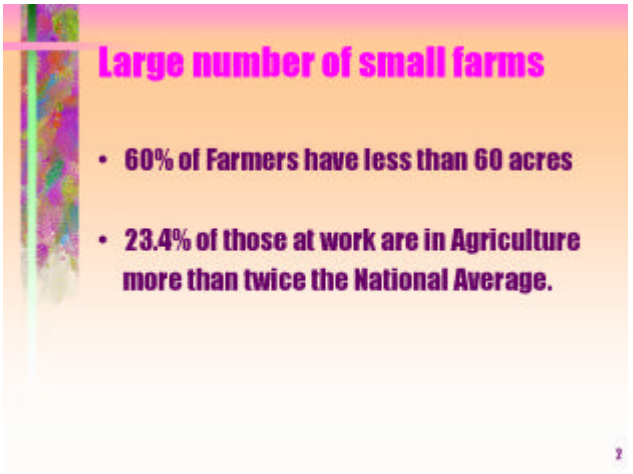
Respondents Assessment	Relative Income Lines		
	<50%	50%<60%	60%+
Farm Households			
'Poor'	11	14	2
Close to poverty	40	29	27
Not poor	49	57	71
Total	100	100	100
Unemployed			
'Poor'	30	-	-[1]
Close to poverty	49	-	-
Not poor	21	-	-
Total	100	-	-

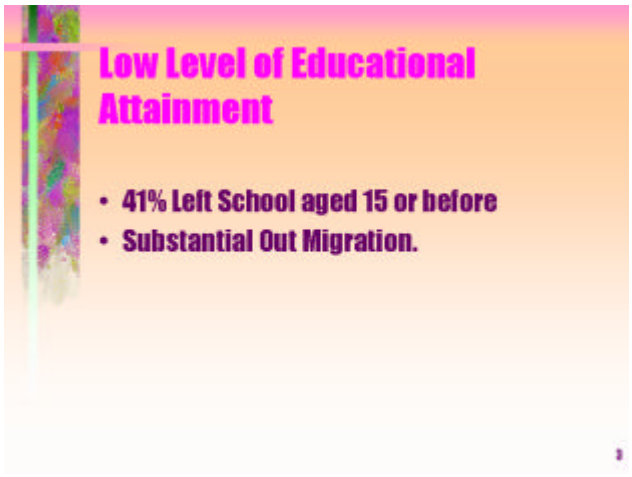
[1]Numbers in sample too small

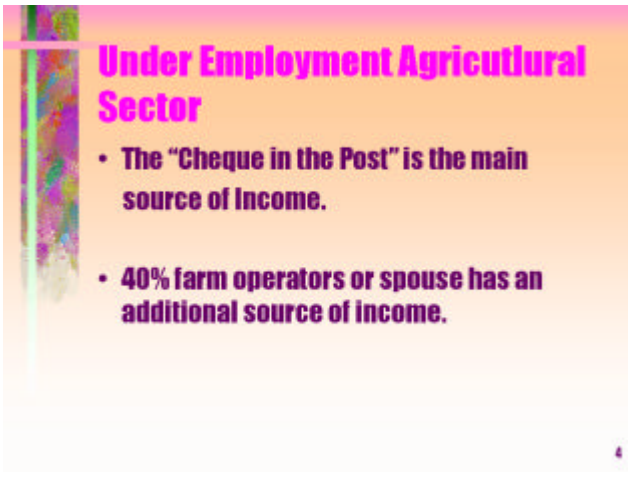
Leitrim Partnership (Case Study)

Tom Lavin
Leitrim Partnership









The Partnership's Overall Strategy

- Targeted Multidimensional Approach based on the Principles of:-
- Partnership.
- Participation and
- Integration

aimed at

- Complementarity
- Additionality and the avoidance of duplication.

5

TARGET GROUPS

- Unemployed and Underemployed
- Young People at Risk
- The Aged
- Disadvantaged Women
- Lone Parents
- Smallholder Households
- Travellers
- Disadvantaged Men
- People with Disabilities.

6

Local Development Social Inclusion Programme

- Services for the Unemployed
- Youth Services
- Community Development

7

1996 - 2001

Services for the Unemployed

- 260 people start their own Business with an additional 65 employees.

Partnership Support Programme

- Back to Work Enterprise Allowance
- One to One Expert advice, information & guidance.
- Business Planning
- Grant Assistance

8

- Interest Free Loans
- Mentoring
- Start your Own Business Courses

9

YOUTH, EDUCATION & TRAINING

- One to One advice Information & Guidance.
- 312 people assisted with Second Chance Education.
- 60 people assisted with Certificate in Social Care NUIG.
- 36 young people benefit from Wider Horizon Programmes.
- 50 people undertake NUIG Diploma in Community Development Practice in Drumshanbo.

10

COMMUNITY DEVELOPMENT

- Two Community Development Workers supporting communities to:-
- Do Community Audits and Develop Plans for Projects.
- Draw down Funding from Major Funders.
- Set up Estate Management Programmes.
- Network leading to membership of CDB's and SPC's etc.

11

SMALLHOLDERS 2001

- Rural Resource Worker and Board Sub-Committee.
- Interest Payment on loan during foot and mouth.
- CERT Return to Work Courses for 48 participants.
- One to one information & advice service for Farm Assist Clients and Others.

12

- Enterprise supports for individuals and groups.
- Support for Smallholder groups - South East Leitrim Farmers Group (SELF) and The Woodlands Forum.
- Two Pilot Areas Based Projects selected (a) Ballinaglera and (b) Cloone.

13

RURAL TRANSPORT

- Community Connections.
- Social Economy.
- Rural Transport Initiative.

14

RURAL RESETTLEMENT & RURAL REGENERATION

- Linked to Leitrim County Council Housing Section and integrated with Community Development Section of the Partnership.
- In 2001:
- Dealt with 205 enquiries re: Rural Renewal Scheme.
- Liaised with RRI to short-list families for twelve (12) houses to be occupied in 2002.
- 26 households assisted to move/settle in Leitrim in 2001.

15

Wexford Partnership (Case Study)

Mary Lou O'Kennedy
County Wexford Partnership (Case Study)

This paper will summarise the development of Partnership companies in Ireland over the past ten years and look specifically at the work of County Wexford Partnership during this time. I will identify some of the signposts to rural change which we have discovered in our work and elaborate on one particular case study in this regard.

Background

In 1991 twelve areas were chosen within which to pilot an area-based response to longterm unemployment. The pilot initiative was outlined in Section VII of the Programme for Economic and Social Progress, and the areas were selected by the Government on the recommendation of the Central Review Committee (CRC). The areas chosen, on the basis of unemployment, geographical distribution and existing structures, included: Ballymun, Coolock/Darndale, Cork North City, Dublin Inner City, Dundalk, Finglas, South West Kerry, Limerick City, North Mayo, Tallaght, West Waterford and South West Wexford.

In each area private companies were established. The Boards of each company were constituted by representation from the Local Community, Social Partners and State Agencies. Each area was asked to develop an Action Plan which would address the following key objectives:

- to work with people who are longterm unemployed and those in danger of becoming longterm unemployed in order to improve their skills and self-confidence, their involvement in the community and to increase their opportunities of getting a job or starting their own business;
- To promote the type of fundamental attitudinal change needed to enable individuals generate sustainable enterprise thereby creating additional employment, and to encourage a more positive attitude towards the recruitment of people who are longterm unemployed;
- to work at the local level to generate more jobs through sustainable enterprises and through the promotion of local economic projects and initiatives which will stimulate confidence and investment.

The pilot was to be reviewed and if found appropriate to be extended nationwide by 1994.

During the time of these initial pilots negotiations took place between the Government and the EU and financial assistance was obtained from the EU for the Partnerships under an innovative fund referred to as the Global Grant which was made up of ERDF and ESF funding.

Since 1991 Partnership companies have been committed to by successive Governments. The Partnership companies are supported and monitored by an intermediary company called Area Development Management (ADM).

In 1995 the programme was expanded nationwide. Some companies expanded to include larger geographical areas and new companies were introduced in areas previously not covered. There are now 38 Partnership companies, 18 of which are rural based. In addition to Partnerships funding was also allocated to a further 36 Community Groups of which 14 operate in rural areas. These new companies operated under the EU Operational Programme for Local Urban and Rural Development (OPLURD) 1994-1999. Under the National Development Plan 2000-2006, Partnership companies and Community Groups receive support under the Local Development Social Inclusion Programme.

Since 1991 the focus of the Partnerships has expanded to include issues of social exclusion and marginalisation of people and communities in addition to addressing longterm unemployment. This has lead the Partnerships to take a broad based and integrated approach in their areas. Each Partnership develops a plan which provides an indepth analysis of their area, identifies the needs and problems specific to their community and involves all the stakeholders in promoting and implementing the range of solutions in a targeted way to those most in need.

County Wexford Partnership

County Wexford Partnership was established under the PESP Pilot initiative in 1991. It has been involved in a range of programmes and supported numerous projects since this time and has done this in a variety of ways including:

- Piloting different approaches to problems
- Brokering relations between people and organisations
- Influencing policy changes at local and national level
- Promoting learning and exchange of ideas between stakeholders
- Funding local initiatives and programmes

I have highlighted a number of our achievements to illustrate the nature of the work we have been involved in since 1991:

- Over 900 individuals were supported to establish their own businesses, all of whom were longterm unemployed. They are supported by way of advice and guidance, area allowance support, small grant/loan aid and management training.
- A Smallholder support programme (TUS) was developed in 1998, supporting 150 households, providing training to over 200 individuals and exploring new enterprise initiatives to enhance the viability of smallholders.
- A model for addressing Early School Leaving based on a consortium of schools and community groups linking community, primary and post primary level, has been very successfully piloted over the past three years. This initiative now works with over 500 pupils per annum throughout the county.
- Support was provided to the VEC to develop Adult Education and Training Centres in three towns in the county and to develop a third level outreach PLC centre.

- Financial Assistance was provided to 260 individuals to pursue continuing education and training options. This initiative is now supported by the Department of Education and Science under the Partnership Millennium Fund.
- A countywide Childcare Network was developed, 40 childcare service providers were provided with financial assistance to develop their centres and childcare training was provided with FAS for 70 people.
- A Local Employment Service has been put in place providing placement into Jobs, Education, Training and other options for almost 2,000 people since 1997.
- A Jobs Club programme, working with 400 people since 1998 has been very successful in helping people, the majority of whom are more than 3 years unemployed, to address their (re)entry to the workforce.
- A Sustainability Forum, comprised of State Agencies, Social Partners and Community Groups, has been brought together to support the development of Sustainable Rural Communities in the CWP area.

These examples provide a flavour of the work of CWP. It is to the last point however that I would like to refer in illustrating some of the challenges which I see for Rural Development and the Signposts which our work has discovered in pointing us towards the Rural communities of the future.

In 1993 CWP (then South West Wexford) commissioned a Heritage Interpretative Plan for the South West Wexford area. This plan took as its definition of Heritage, the natural and environmental, cultural and built heritage of the area including its people and landscape. It compiled an inventory of the sites and activities of the area and suggested methods of interpretation and marketing of these and how this would directly or indirectly serve the needs of the local population. Its proposals contained recommendations on; training needs, enterprise and employment supports, investment in infrastructure, marketing and collaboration between agencies to maximise the development potential of this predominantly rural area.

In 1996 and Interpretative Plan was commissioned for the new County Wexford Partnership area. This plan promoted the concept of forming a ‘Heritage Forum’ (later to become known as the Sustainability Forum) which was brought together in 1998 and is made up of representatives of: Wexford County Council, An Taisce, the National Parks and Wildlife Service, Coillte, the Heritage Council, the National Waymarked Ways Committee, the South East Regional Tourism Authority, Teagasc, IFA, and the Local Community.

The objectives of the Forum were:
- To facilitate cooperation and collaboration among national and local agencies active in County Wexford.
- To discuss County Wexford Partnership project proposals at a planning stage.
- To undertake and support collaborative heritage initiatives.
- To influence as far as possible local and national heritage policy from a Wexford Perspective.
- To foster a public awareness and appreciation of the Heritage of County Wexford.

Arising from the work of the Forum and the staff of CWP, a number of issues or 'signposts' were identified:

- Rural Communities have multi-dimensional needs. The social, economic and cultural fabric is changing.
- Agricultural employment is declining with no planned or obvious source of alternative employment for rural communities.
- Development is becoming increasingly regulated and decisions taken at central european level.
- Waste management and environmental controls are becoming more and more controversial.
- Infrastructural development is creating new pressures in rural communities.
- The 'Vision' of rural communities and rural life which was held in the past is not relevant for significant numbers of people living in rural communities today.
- People's expectations of their quality of life are increasing.

Through the experience of the work of CWP staff and the Forum in supporting projects and trying to anticipate development, one of the conclusions which emerged for the Forum in 2000 was that in working with Rural communities in particular, it was impossible to separate the economic, social, environmental and cultural aspects of these communities. It was felt that they are very integrated and that there was no clear model on how to approach integrated area-based development in rural communities. This led the Forum to consider adopting a sustainable approach to rural development and it looked closely at the Agenda 21 principles for direction.

An idea was mooted that similar to the 'Model Farm' concept so usefully adopted by Teagasc in the past to demonstrate good practice, that what was needed was a 'Model Sustainable Rural Community'. The Forum developed a strategy to create such a 'Model':

Step 1: An application form and explanatory literature were produced and communities invited to apply to become a 'Model Sustainable Community'.
Step 2: 10 Communities applied from which 3 were short listed. These communities were provided with technical expertise to submit a more detailed framework of their strategy.
Step 3: The chosen community received £10,000 to go towards the professional development and documentation of the detailed plan and a commitment from the Forum members to support the implementation of the plan over a ten year period.

Since 2000 the Forum has worked closely with the local community to develop a framework within which it can look at its longterm sustainability. It is anticipated that this will produce a Model of Sustainability within which a new Vision for developing sustainable rural communities can be articulated. The components of a Sustainable Rural Community include:

Resources: Resources are used efficiently and waste is minimised by closing cycles.
Pollution: Pollution is limited to levels which natural systems can cope with without damage.
Biodiversity: The diversity of nature is valued and protected.

Local Needs: Where possible, local needs are met locally.
Basic Needs: Everyone has access to good food, water, shelter and fuel at reasonable cost.
Satisfying Work: Everyone has the opportunity to undertake satisfying work in diverse economy.
Health: People's good health is protected.
Access : Access to facilities, services, goods and other people is not achieved at the expense of the environment.
Safety: People live without fear of personal violence from crime of persecution.
Knowledge: Everyone has access to skills, knowledge and information.
Empowerment: All sections of the community are empowered to participate in decision making.
Leisure: Opportunities for culture, leisure and recreation are readily available to all.
Distinctiveness: Diversity and Local Distinctiveness are valued and protected.

The Principles which govern the process of developing a sustainable model are:

- The interconnectedness of all aspects of a community
- Area Based Planning
- Broad based consultation with all members of the community
- Distinctiveness of local needs and responses
- Subsidiarity
- Sustainability
- Longterm planning in addressing environmental, economic, social and cultural concerns.

This project is still in its infancy. We have developed a framework for the approach we are using which we are piloting with our local community. We hope this will be transferable to other communities and projects when piloted. The process must now look at the development of indicators of success in rural development which will help us to record progress.

Our work to date has revealed numerous 'signposts' which point us in the direction of new developments for rural areas, but we are hoping that this project will help us to visualise what our rural communities could become in the longterm and how they can be sustained with a vibrant future.